

Independent Auditor's Report

The Board of Directors
Fuyo General Lease Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2020

/s/ Hirokazu Tanaka
Designated Engagement Partner
Certified Public Accountant

/s/ Nobuko Kubo
Designated Engagement Partner
Certified Public Accountant

Consolidated financial statements

Consolidated balance sheets

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Assets				
Current assets				
Cash and deposits	3	¥ 77,436	¥ 71,173	\$ 711,534
Installment receivables	3, 9	79,753	97,452	732,825
Lease receivables and investments in leases	3, 9	1,106,840	1,083,530	10,170,360
Operating loans		307,124	298,432	2,822,061
Accounts receivable - other loans to customers	3, 7	109,652	87,519	1,007,554
Operational investment securities		234,837	179,529	2,157,834
Other operating assets		15,706	10,830	144,320
Accounts receivable - lease	9	24,862	19,656	228,454
Other	3	74,359	52,779	683,263
Allowance for doubtful accounts		(3,085)	(2,725)	(28,350)
Total current assets		2,027,487	1,898,179	18,629,855
Non-current assets				
Property, plant and equipment				
Assets for lease				
Assets for lease	1, 3, 7	506,498	480,930	4,654,033
Advances for purchase of assets for lease		6,911	15,073	63,505
Total assets for lease		513,409	496,003	4,717,538
Other operating assets	1, 3	26,383	28,265	242,427
Own-used assets	1, 3	13,319	1,790	122,384
Total property, plant and equipment		553,111	526,059	5,082,349
Intangible assets				
Assets for lease		266	330	2,452
Other intangible assets				
Goodwill		21,749	15,935	199,845
Other		7,644	6,591	70,246
Total other intangible assets		29,394	22,526	270,091
Total intangible assets		29,660	22,856	272,543
Investments and other assets				
Investment securities	2, 3	91,984	92,821	845,213
Distressed receivables		602	571	5,533
Deferred tax assets		2,762	4,155	25,387
Other		46,079	47,541	423,404
Allowance for doubtful accounts		(363)	(375)	(3,340)
Total investments and other assets		141,065	144,713	1,296,197
Total non-current assets		723,837	693,630	6,651,088
Deferred assets				
Organization expenses		1	0	14
Business commencement expenses		1,271	1,171	11,685
Total deferred assets		1,273	1,172	11,699
Total assets		¥ 2,752,598	¥ 2,592,981	\$ 25,292,642

The accompanying notes are an integral part of these statements.

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Liabilities				
Current liabilities				
Notes and accounts payable - trade	9	¥ 45,391	¥ 44,531	\$ 417,086
Short-term borrowings		530,317	491,659	4,872,898
Current portion of bonds payable		20,000	20,000	183,773
Current portion of long-term borrowings	3, 7	274,820	244,023	2,525,226
Commercial papers		450,700	500,700	4,141,321
Payables under securitization of lease receivables	8	28,900	22,900	265,552
Current portion of long-term payables under securitization of lease receivables	3, 8	41,396	27,802	380,375
Lease obligations		20,302	25,103	186,555
Income taxes payable		4,215	5,555	38,733
Deferred profit on installment sales		1,307	1,421	12,015
Provision for bonuses		2,219	2,015	20,391
Provision for bonuses for directors (and other officers)		184	191	1,696
Provision for share awards for directors (and other officers)		57	—	524
Provision for future lease payments		3	2	29
Provision for loss on guarantees		50	66	464
Asset retirement obligations		453	—	4,163
Other	3	45,254	33,857	415,827
Total current liabilities		1,465,573	1,419,831	13,466,629
Non-current liabilities				
Bonds payable		150,000	105,000	1,378,296
Long-term borrowings	3, 7	680,017	646,370	6,248,439
Long-term payables under securitization of lease receivables	3, 8	54,869	38,502	504,174
Lease obligations		417	593	3,835
Deferred tax liabilities		15,706	15,606	144,319
Retirement benefit liability		2,177	1,869	20,011
Provision for retirement benefits for directors (and other officers)		132	126	1,214
Provision for share awards for directors (and other officers)		255	137	2,351
Provision for maintenance costs		577	524	5,307
Provision for loss on guarantees		730	907	6,715
Asset retirement obligations		2,311	1,770	21,237
Other		68,009	66,702	624,918
Total non-current liabilities		975,205	878,110	8,960,816
Total liabilities		2,440,778	2,297,941	22,427,445

Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Net assets			
Shareholders' equity			
Share capital	10,532	10,532	96,776
Capital surplus	8,873	8,873	81,537
Retained earnings	228,285	208,454	2,097,630
Treasury shares	(2,075)	(826)	(19,071)
Total shareholders' equity	245,615	227,034	2,256,872
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	31,650	34,713	290,826
Deferred gains or losses on hedges	(798)	(577)	(7,334)
Foreign currency translation adjustment	(435)	496	(3,998)
Remeasurements of defined benefit plans	(163)	3	(1,504)
Total accumulated other comprehensive income	30,253	34,636	277,990
Share acquisition rights	764	842	7,022
Non-controlling interests	35,186	32,525	323,313
Total net assets	311,819	295,039	2,865,197
Total liabilities and net assets	¥ 2,752,598	¥ 2,592,981	\$ 25,292,642

The accompanying notes are an integral part of these statements.

Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Net sales		¥ 712,330	¥ 618,119	\$ 6,545,349
Cost of sales		635,982	551,433	5,843,815
Gross profit		76,347	66,686	701,534
Selling, general and administrative expenses	1	34,924	31,006	320,906
Operating profit		41,423	35,680	380,628
Non-operating income				
Interest income		71	101	660
Dividend income		1,772	1,690	16,291
Gain on investments in investment partnerships		48	378	448
Gain on investments in silent partnerships		–	336	–
Share of profit of entities accounted for using equity method		1,322	1,259	12,153
Recoveries of written off receivables		97	86	893
Reversal of allowance for doubtful accounts		–	95	–
Reversal of provision for loss on guarantees		192	91	1,772
Other		243	252	2,242
Total non-operating income		3,750	4,293	34,460
Non-operating expenses				
Interest expenses		627	530	5,766
Bond issuance costs		31	16	289
Foreign exchange losses		142	33	1,313
Loss on investments in investment partnerships		58	24	542
Loss on investments in silent partnerships		0	4	8
Other		266	264	2,448
Total non-operating expenses		1,128	873	10,366
Ordinary profit		44,045	39,100	404,722
Extraordinary income				
Gain on sale of investment securities		395	941	3,635
Subsidy income		592	2,684	5,444
Gain on reversal of share acquisition rights		–	8	–
Other		0	2	8
Total extraordinary income		989	3,637	9,088
Extraordinary losses				
Loss on valuation of investment securities		545	–	5,012
Loss on redemption of investment securities		513	–	4,720
Impairment losses	2	1,283	22	11,792
Loss on disposal of non-current assets	3	14	10	129
Loss on liquidation of subsidiaries and associates		–	0	–
Loss on tax purpose reduction entry of non-current assets		592	2,684	5,444
Other		5	–	49
Total extraordinary losses		2,954	2,717	27,147
Profit before income taxes		42,080	40,019	386,663
Income taxes - current		10,680	11,182	98,136

	Millions of yen		Thousands of U.S. dollars (Note 1)
Notes	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Income taxes - deferred	1,747	787	16,054
Total income taxes	12,427	11,969	114,190
Profit	29,653	28,049	272,473
Profit attributable to non-controlling interests	3,466	2,534	31,849
Profit attributable to owners of parent	¥ 26,187	¥ 25,515	\$ 240,625

The accompanying notes are an integral part of these statements.

Consolidated statements of comprehensive income

	Notes	Millions of yen		Thousands of
				U.S. dollars
		FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Profit		¥ 29,653	¥ 28,049	\$ 272,473
Other comprehensive income				
Valuation difference on available-for-sale securities		(2,380)	(4,553)	(21,875)
Deferred gains or losses on hedges		(128)	(478)	(1,181)
Foreign currency translation adjustment		(686)	(1,066)	(6,311)
Remeasurements of defined benefit plans, net of tax		(54)	(10)	(503)
Share of other comprehensive income of entities accounted for using equity method		(1,157)	24	(10,635)
Total other comprehensive income	1	(4,408)	(6,084)	(40,505)
Comprehensive income		¥ 25,245	¥ 21,965	\$ 231,968
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		¥ 21,804	¥ 19,437	\$ 200,350
Comprehensive income attributable to non-controlling interests		3,440	2,527	31,618

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in equity

FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 10,532	¥ 8,873	¥ 208,454	¥ (826)	¥ 227,034
Changes during period					
Dividends of surplus			(6,333)		(6,333)
Profit attributable to owners of parent			26,187		26,187
Purchase of treasury shares				(1,364)	(1,364)
Disposal of treasury shares			(22)	115	92
Change in scope of consolidation			(0)		(0)
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	19,830	(1,249)	18,580
Balance at end of period	¥ 10,532	¥ 8,873	¥ 228,285	¥ (2,075)	¥ 245,615

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥ 34,713	¥ (577)	¥ 496	¥ 3	¥ 34,636	¥ 842	¥ 32,525	¥ 295,039
Changes during period								
Dividends of surplus								(6,333)
Profit attributable to owners of parent								26,187
Purchase of treasury shares								(1,364)
Disposal of treasury shares								92
Change in scope of consolidation								(0)
Change in ownership interest of parent due to transactions with non-controlling interests								-
Net changes in items other than shareholders' equity	(3,062)	(221)	(931)	(167)	(4,383)	(78)	2,660	(1,801)
Total changes during period	(3,062)	(221)	(931)	(167)	(4,383)	(78)	2,660	16,779
Balance at end of period	¥ 31,650	¥ (798)	¥ (435)	¥ (163)	¥ 30,253	¥ 764	¥ 35,186	¥ 311,819

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 10,532	¥ 10,416	¥ 187,673	¥ (224)	¥ 208,397
Changes during period					
Dividends of surplus			(4,716)		(4,716)
Profit attributable to owners of parent			25,515		25,515
Purchase of treasury shares				(695)	(695)
Disposal of treasury shares			(17)	94	76
Change in scope of consolidation					-
Change in ownership interest of parent due to transactions with non-controlling interests		(1,542)			(1,542)
Net changes in items other than shareholders' equity					
Total changes during period	-	(1,542)	20,781	(601)	18,637
Balance at end of period	¥ 10,532	¥ 8,873	¥ 208,454	¥ (826)	¥ 227,034

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥ 39,265	¥ (92)	¥ 1,551	¥ (10)	¥ 40,714	¥ 924	¥ 32,537	¥ 282,574
Changes during period								
Dividends of surplus								(4,716)
Profit attributable to owners of parent								25,515
Purchase of treasury shares								(695)
Disposal of treasury shares								76
Change in scope of consolidation								-
Change in ownership interest of parent due to transactions with non-controlling interests								(1,542)
Net changes in items other than shareholders' equity	(4,552)	(484)	(1,055)	14	(6,078)	(81)	(12)	(6,171)
Total changes during period	(4,552)	(484)	(1,055)	14	(6,078)	(81)	(12)	12,465
Balance at end of period	¥ 34,713	¥ (577)	¥ 496	¥ 3	¥ 34,636	¥ 842	¥ 32,525	¥ 295,039

FY2019 (From April 1, 2019 to March 31, 2020)

(Thousands of U.S. dollars) (Note 1)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$ 96,776	\$ 81,537	\$ 1,915,417	\$ (7,592)	\$ 2,086,139
Changes during period					
Dividends of surplus			(58,200)		(58,200)
Profit attributable to owners of parent			240,625		240,625
Purchase of treasury shares				(12,539)	(12,539)
Disposal of treasury shares			(209)	1,060	851
Change in scope of consolidation			(3)		(3)
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	182,213	(11,479)	170,733
Balance at end of period	\$ 96,776	\$ 81,537	\$ 2,097,630	\$ (19,071)	\$ 2,256,872

(Thousands of U.S. dollars) (Note 1)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	\$ 318,967	\$ (5,302)	\$ 4,563	\$ 36	\$ 318,264	\$ 7,744	\$ 298,867	\$2,711,014
Changes during period								
Dividends of surplus								(58,200)
Profit attributable to owners of parent								240,625
Purchase of treasury shares								(12,539)
Disposal of treasury shares								851
Change in scope of consolidation								(3)
Change in ownership interest of parent due to transactions with non-controlling interests								-
Net changes in items other than shareholders' equity	(28,141)	(2,032)	(8,561)	(1,540)	(40,274)	(723)	24,446	(16,551)
Total changes during period	(28,141)	(2,032)	(8,561)	(1,540)	(40,274)	(723)	24,446	154,183
Balance at end of period	\$ 290,826	\$ (7,334)	\$ (3,998)	\$ (1,504)	\$ 277,990	\$ 7,022	\$ 323,313	\$2,865,197

The accompanying notes are an integral part of these statements.

Consolidated statements of cash flows

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Notes	FY2019	FY2018	FY2019		
		(April 1, 2019 - March 31, 2020)	(April 1, 2018 - March 31, 2019)	(April 1, 2019 - March 31, 2020)		
Cash flows from operating activities						
Profit before income taxes	¥	42,080	¥	40,019	\$	386,663
Depreciation of assets for lease		33,694		30,066		309,603
Loss on retirement of assets for lease and cost of property for lease sales		118,027		19,898		1,084,512
Depreciation of other operating assets		2,040		1,666		18,754
Depreciation		2,124		1,680		19,523
Amortization of goodwill		1,132		768		10,404
Impairment losses		1,283		–		11,792
Increase (decrease) in allowance for doubtful accounts		347		(164)		3,192
Increase (decrease) in provision for bonuses and bonuses for directors (and other officers)		30		165		279
Increase (decrease) in provision for future lease payments		0		0		2
Increase (decrease) in provision for retirement benefits for directors (and other officers)		5		(42)		53
Increase (decrease) in provision for share awards for directors (and other officers)		175		137		1,615
Increase (decrease) in provision for maintenance costs		52		143		487
Increase (decrease) in provision for loss on guarantees		(192)		(91)		(1,772)
Increase (decrease) in retirement benefit liability		253		118		2,328
Loss (gain) on valuation of short-term and long-term investment securities		545		–		5,012
Interest and dividend income		(1,844)		(1,792)		(16,951)
Capital costs and interest expenses		10,075		9,179		92,583
Loss (gain) on investments in investment partnerships and silent partnerships		11		(686)		102
Share of loss (profit) of entities accounted for using equity method		(1,322)		(1,259)		(12,153)
Loss (gain) on sale of short-term and long-term investment securities		(395)		(941)		(3,635)
Loss (gain) on redemption of investment securities		513		–		4,720
Loss (gain) on disposal of non-current assets		13		10		120
Subsidy income		(592)		(2,684)		(5,444)
Loss on tax purpose reduction entry of non-current assets		592		2,684		5,444
Gain on reversal of share acquisition rights		–		(8)		–
Decrease (increase) in installment receivables		17,581		19,028		161,551
Net decrease (increase) in lease receivables and investments in leases		(32,851)		18,628		(301,861)
Decrease (increase) in accounts receivable - lease		(4,076)		(3,467)		(37,460)
Decrease (increase) in operating loans		(11,528)		(2,974)		(105,929)
Decrease (increase) in accounts receivable - other loans to customers		(22,143)		(3,369)		(203,467)

Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Decrease (increase) in investment securities for sale	(55,307)	(1,648)	(508,197)
Purchase of assets for lease	(170,362)	(168,509)	(1,565,402)
Purchase of other operating assets	(12,424)	(12,488)	(114,160)
Decrease (increase) in retirement benefit asset	–	53	–
Decrease (increase) in distressed receivables	(30)	451	(279)
Decrease (increase) in guarantee deposits	1,411	(870)	12,967
Increase (decrease) in trade payables	551	(258)	5,071
Increase (decrease) in lease obligations	(4,629)	(9,802)	(42,542)
Increase (decrease) in guarantee deposits received	1,239	2,880	11,385
Other, net	(6,505)	(577)	(59,776)
Subtotal	(90,423)	(64,055)	(830,868)
Interest and dividends received	3,158	1,722	29,025
Interest paid	(10,606)	(8,913)	(97,460)
Income taxes refund (paid)	(11,526)	(11,414)	(105,912)
Subsidies received	592	2,684	5,444
Net cash provided by (used in) operating activities	(108,804)	(79,975)	(999,770)

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Cash flows from investing activities				
Purchase of own-used assets		(1,690)	(1,275)	(15,529)
Proceeds from sale of own-used assets		11	–	110
Proceeds from sale and redemption of securities		–	15	–
Purchase of investment securities		(5,489)	(9,297)	(50,439)
Proceeds from sale and redemption of investment securities		917	4,233	8,432
Purchase of shares of subsidiaries resulting in change in scope of consolidation	2	(6,393)	(2,352)	(58,751)
Other, net		1,400	(716)	12,872
Net cash provided by (used in) investing activities		(11,242)	(9,393)	(103,305)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		39,109	24,813	359,367
Net increase (decrease) in commercial papers		(50,000)	27,000	(459,432)
Proceeds from long-term borrowings		336,231	303,495	3,089,509
Repayments of long-term borrowings		(269,934)	(258,284)	(2,480,333)
Net increase (decrease) in payables under securitization of lease receivables		6,000	4,000	55,132
Proceeds from securitization of lease receivables		66,123	36,331	607,581
Repayments of payables under securitization of lease receivables		(36,162)	(36,992)	(332,281)
Proceeds from issuance of bonds		65,000	35,000	597,262
Redemption of bonds		(20,000)	(20,000)	(183,773)
Purchase of treasury shares		(1,364)	(695)	(12,539)
Proceeds from disposal of treasury shares		92	76	851
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		–	(4,064)	–
Dividends paid		(6,333)	(4,716)	(58,200)
Dividends paid to non-controlling interests		(781)	(304)	(7,179)
Other, net		(225)	(157)	(2,075)
Net cash provided by (used in) financing activities		127,754	105,502	1,173,890
Effect of exchange rate change on cash and cash equivalents		(28)	(276)	(260)
Net increase (decrease) in cash and cash equivalents		7,678	15,855	70,555
Cash and cash equivalents at beginning of period		69,918	54,062	642,452
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		(179)	–	(1,651)
Cash and cash equivalents at end of period	1	¥ 77,416	¥ 69,918	\$ 711,356

The accompanying notes are an integral part of these statements.

Notes to consolidated financial statements

I. Basis of presentation

Fuyo General Lease Co., Ltd. (the “Company”) and its domestic consolidated subsidiaries maintain their books of account in conformity with generally accepted accounting principles in Japan, and its foreign consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan and have been prepared in accordance with generally accepted accounting principles in Japan.

Japanese yen amounts, which are indicated in millions of yen, are rounded down by truncating the figures below one million. As a result, the totals do not necessarily agree with the sum of the individual amounts. The amounts in US dollars presented in the consolidated financial statements are translated from the amounts in Japanese yen at the exchange rate of ¥108.83 to US\$1.00, in effect at March 31, 2020, solely for the convenience of overseas readers. Therefore, this does not imply that those amounts in yen can be converted into equivalent amounts in US dollars at this or any other exchange rate.

1. Scope of consolidation

(1) Number of consolidated subsidiaries

FY2019: 52 companies, FY2018: 49 companies

Names of significant consolidated subsidiaries:

Fuyo Auto Lease Co., Ltd.
Sharp Finance Co., Ltd.
Accretive Co., Ltd.
INVOICE Inc.
FGL Service Co., Ltd.
Fuyo Lease Sales Co., Ltd.
Fuyo General Lease (USA) Inc.
Fuyo General Lease (HK) Limited
Fuyo General Lease (Asia) Pte. Ltd.
Fuyo General Lease (China) Co., Ltd.
FGL Aircraft Ireland Limited

In the fiscal year ended March 31, 2020, LN Holidngs, Co., Ltd. and its subsidiaries, NOC Outsourcing & Consulting Inc., NOC Techno-Solutions Inc. and NOC Biz Partners Inc. are included in the scope of consolidation since the Company acquired 100% of the total issued shares of LN Holidngs, Co., Ltd. In addition, Wells Fund LLC is included in the scope of consolidation as the Company invested in the silent partnership operated by that company.

FI Walnut Leasing Ltd. has been excluded from the scope of consolidation as a result of the termination of the silent partnership agreement. Note that the gains or losses occurred in the entity in the period until the exclusion from the scope of consolidation are included in these consolidated financial statements. In addition, FGL Aircraft Labuan Limited has been excluded from the scope of consolidation due to its liquidation.

(2) Non-consolidated subsidiaries

Reason for exclusion from the scope of consolidation

Among the non-consolidated subsidiaries, 157 companies including FK Ignicion Leasing Ltd. (150 companies in the fiscal year ended March 31, 2019) are mainly business operators, etc. of leasing businesses conducted through silent partnerships. Their assets and gains or losses are effectively not attributable to such subsidiaries or are immaterial, so they have been excluded from the scope of consolidation pursuant to Article 5, paragraph (1), item (ii) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(3) Special purpose entities subject to disclosure

For an overview of special purpose entities subject to disclosure, overview of transactions using special purpose entities subject to disclosure, amount of transactions with special purpose entities subject to disclosure, etc., see “Information on special purpose entities.”

2. Application of equity method

(1) Number of associates under the equity method

FY2019: 8 associates, FY2018: 6 associates

Names of significant associates:

Yokogawa Rental & Lease Corporation
Marubeni Fuyo Auto Investment (CANADA) Inc.
Pacific Rim Capital, Inc.

Saisai Seikatsu LLC was newly established in the fiscal year ended March 31, 2020 and is included in entities accounted for using the equity method. In addition, the Company acquired additional shares in MerryBiz Inc., so it is included in entities accounted for using the equity method.

(2) Non-consolidated subsidiaries and associates which the equity method was not applied

Reason the equity method was not applied to the companies

Among the non-consolidated subsidiaries, 157 companies including FK Ignicion Leasing Ltd. (150 companies in the fiscal year ended March 31, 2019) are mainly business operators, etc. of leasing businesses conducted through silent partnerships. Their assets and gains or losses are effectively not attributable to such subsidiaries or are immaterial, so they are excluded from the scope of being accounted for using the equity method. Investments in these companies are valued at cost.

(3) With regard to the entities accounted for using equity method whose balance sheet dates differ from the consolidated balance sheet date, the financial statements of these companies for their respective fiscal years have been applied.

3. Fiscal year ends of consolidated subsidiaries

Among the consolidated subsidiaries, 19 overseas consolidated subsidiaries (20 in the fiscal year ended March 31, 2019) have balance sheet dates of December 31, while 19 domestic consolidated subsidiaries including Fuyo Auto Lease Co., Ltd. (16 in the fiscal year ended March 31, 2019) have balance sheet dates of March 31, 11 domestic consolidated subsidiaries including General Incorporated Association C · C · S Holding (11 in the fiscal year ended March 31, 2019) have balance sheet dates of January 31, and Wells Fund LLC has a balance sheet end date of December 31. Financial statements of the respective subsidiaries for the respective fiscal years, with necessary adjustments with regard to material activities transactions during the periods up to the consolidated balance sheet date, have been reflected in the consolidation.

4. Summary of significant accounting policies

(1) Standard and method of valuation of significant assets

1) Securities

Other securities

Other securities with fair value

Mainly by a fair value method based on average market prices, etc. during one month before the consolidated balance sheet date for the Company and domestic consolidated subsidiaries and the market price, etc. on the balance sheet end date for overseas consolidated subsidiaries.

Note that the cost of securities sold is computed based on the moving-average method. The entire net unrealized gains or losses are booked directly as net assets.

Other securities without fair value

Stated at cost determined by the moving-average method

The amortized cost method is applied to the difference between the acquisition cost and the amount of bonds where interest rate adjustment is recognized.

2) Derivative financial instruments

Fair value method

(2) Depreciation and amortization

1) Assets for lease

Mainly amortized over the lease agreement period using the straight-line method with the residual value being the estimated amount to be realized when the lease agreement period ends

Note that an additional amount is booked as depreciation for the estimated amount of loss on disposal of assets for lease due to cancellation of lease agreements or customer insolvency, etc.

2) Other operating assets

Straight-line method

3) Leased assets

Leased assets under finance leases that do not transfer ownership

Amortized over the lease agreement period using the straight-line method with no residual value

4) Own-used assets

Declining balance method

However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired since April 1, 1998 and facilities attached to buildings and structures acquired since April 1, 2016, and is applied for overseas consolidated subsidiaries.

The estimated useful lives of own-used assets are principally as follows:

Buildings 3 to 50 years

Equipment 3 to 20 years

5) Other intangible assets

Straight-line method

Computer software intended for internal use is amortized by the straight-line method over the estimated useful lives (5 to 10 years).

(3) Accounting method for deferred assets

1) Organization expenses

Organization expenses are amortized by the straight-line method within five years after the date of founding.

2) Business commencement expenses

Business commencement expenses are amortized by the straight-line method within five years after the business commencement date.

3) Bond issuance costs

Bond issuance costs are expensed upon payment.

(4) Accounting policy for significant allowances and provisions

1) Allowance for doubtful accounts

To cover possible losses from bad debts, the Company sets aside an allowance for the estimated amount of doubtful receivables deemed uncollectible. This allowance is based on historical default rates for general receivables and the individual analysis of debtors' financial positions for doubtful receivables, distressed receivables, etc.

With respect to the bankruptcy claims, etc., an estimated uncollectible amount is calculated by directly deducting amounts expected to be recovered from the amount of claims. The direct deduction totaled ¥1,979 million (U.S.\$18,189 thousand) in the fiscal year ended March 31, 2020 and ¥1,819 million in the fiscal year ended March 31, 2019.

2) Provision for bonuses

To prepare for payment of bonuses to employees, a provision for the estimated payment amount borne in the fiscal year is recorded.

3) Provision for bonuses for directors (and other officers)

To prepare for payment of bonuses to directors, a provision for the estimated payment amount borne in the fiscal year is recorded.

4) Provision for future lease payments

To cover possible losses from future lease payment receivables for operating leases (subleases), a provision for the amount deemed uncollectible is recorded. This provision is based on the historical default rates for normal claims, the analysis of individual receivables with respect to classified loans in addition to bankruptcy claims, etc.

5) Provision for loss on guarantees

To cover possible losses on guarantees, etc., the Company provides an allowance for estimated loss, taking into consideration the financial condition of the financial guarantees as well as other factors.

6) Provision for retirement benefits for directors (and other officers)

Since this equates to the benefits for directors and corporate auditors, the entire amount that would be required to be paid at the end of the fiscal year is recorded according to internal regulations.

7) Provision for share awards for directors (and other officers)

To prepare for the provision of the Company's shares, etc. to directors and other officers of the Company based on the Regulations for Provision of Shares to Officers, the Company posts the estimated amount of share-based benefit obligation as of the end of the fiscal year.

8) Provision for maintenance costs

To cover future payments for maintenance costs that are required in specific lease transactions and maintenance services, a provision for estimated cost is recorded by the Company.

(5) Retirement benefits

1) The method for attributing estimated retirement benefits for periods of employee service

For the calculation of retirement benefit obligations, the benefit formula method is used to attribute estimated retirement benefits for the period up to the end of the fiscal year.

2) Actuarial differences and prior service cost

With respect to prior service cost, the Company expenses the entire amount of it in the fiscal year of occurrence, but one of the Company's domestic consolidated subsidiaries amortizes it by the straight-line method over a period (10 years) within the average remaining service years for employees at the time of recognition, starting from the fiscal year of occurrence.

With respect to actuarial differences, the Company expenses the entire amount of them in the fiscal year of occurrence, but one of the Company's domestic consolidated subsidiaries amortizes them by the straight-line method over a period (10 years) within the average remaining service years for employees at the time of recognition, starting from the fiscal year following the fiscal year of occurrence.

3) Unrecognized actuarial differences and unrecognized prior service cost

Unrecognized actuarial differences and unrecognized prior service cost after tax effect adjustments are recorded as remeasurements of defined benefit plans classified in accumulated other comprehensive income of net assets.

4) Simplified accounting method by small-scale businesses, etc.

Certain domestic consolidated subsidiaries use simplified accounting methods in relation to the calculation of the retirement benefit liability and the retirement benefit expenses. In the case of the termination allowance plan, retirement benefit obligations are recorded as the amount to be paid for voluntary retirement as of fiscal year-end. In the case of the corporate pension plan, retirement benefit obligations are recorded as the amount of actuarial liability calculated under the latest pension funding program.

(6) Recognition of significant revenues and expenses

1) Accounting policy for sales and cost of sales arising from finance leases

Sales and cost of sales are recorded when lease payments should be received.

2) Accounting policy for revenue from operating leases

Based on the lease payments that should be received each month under the lease agreement based on the lease agreement periods, recorded as lease payments corresponding to such transitional period.

(7) Standard for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and exchange differences are treated as gains or losses.

Meanwhile, the assets, liabilities, income and expenses of overseas subsidiaries, etc. are mainly translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and exchange differences are recorded as foreign currency translation adjustment or non-controlling interests of net assets.

(8) Significant hedge accounting methods

1) Hedge accounting

Hedging activities are accounted for by the deferred hedge method. Interest rate swaps that satisfy the required conditions are subject to accounting under exceptional treatment.

2) Hedge instruments and hedged items

(a) Hedging instruments Interest rate swaps and forward exchange contracts

(b) Hedged items Borrowings and forecast transactions in foreign currencies

3) Hedging policies

The Company uses derivatives, in accordance with its internal "Basic Policy for Managing Market and Liquidity Risks," for the purpose of hedging risks associated with interest-rate and foreign currency fluctuations arising from its sales and financial operations.

4) Assessing hedge effectiveness

The assessment of hedge effectiveness of interest rate swaps is by the correlation between the change in aggregated amount of cash flow of the hedging instruments and the change in aggregated amount of cash flow of the hedged items and other factors.

With regard to forward exchange contracts, when the principal terms for the hedged items and hedging instruments are substantially the same, the hedge relationship is considered highly effective.

With regard to interest rate swaps subject to accounting under exceptional treatment an assessment of hedge effectiveness is omitted.

(9) Amortization method and period of goodwill

Apart from immaterial amounts, evenly amortized over a period not exceeding 20 years from the effective date.

(10) Scope of funds in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, demand deposits and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and have an insignificant risk of changes in value.

(11) Other important matters for preparing consolidated financial statements

1) Consumption taxes

Transactions are recorded exclusive of consumption taxes and local consumption taxes.

2) Adoption of consolidated taxation system

Some of the consolidated subsidiaries have adopted the consolidated taxation system.

II. Change in accounting policy

Not applicable

III. New accounting standards and implementation guidances not yet applied

Accounting Standard for Revenue Recognition and related implementation guidances

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition. In May 2014, they published Revenue from Contracts with Customers (IFRS 15 for IASB and Topic 606 for FASB). As IFRS 15 is effective from the fiscal year commencing on or after January 1, 2018 and Topic 606 is effective from the fiscal year commencing after December 15, 2017, the ASBJ has developed comprehensive accounting standard together with its implementation guidance.

As a basic policy for the development of the Accounting Standard for Revenue Recognition by the ASBJ, from the viewpoint of comparability between financial statements, which is one of the benefits consistent with IFRS 15, the basic principles of IFRS 15 shall be adopted as the starting point, and accounting standards shall be established. In addition, in cases where there are items that should be considered in practice, etc., that have been conducted in Japan so far, alternative treatment shall be added to an extent that does not impair comparability.

(2) Scheduled date of adoption

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

(3) Impact of adoption of such accounting standards and implementation guidances

The amounts that affect the consolidated financial statements by adopting the Accounting Standard for Revenue Recognition and related implementation guidances are currently being evaluated.

Accounting Standard for Fair Value Measurement, other standards and related implementation guidances

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) provide detailed guidance on fair value measurement that is similar in content (in International Financial Reporting Standards (IFRS), IFRS 13, Fair Value Measurement, and in US GAAP, Accounting Standards Codification Topic 820, Fair Value Measurement, respectively). In light of this,

the ASBJ has been working to ensure the consistency of Japanese GAAP with international accounting standards, primarily with respect to guidance and disclosures regarding the fair value of financial instruments, and published the Accounting Standard for Fair Value Measurement, other standards and related implementation guidances.

As a basic policy for the development of the Accounting Standard for Fair Value Measurement by the ASBJ, all provisions of IFRS 13 shall be basically incorporated from the viewpoint of improving comparability of financial statements between companies in Japan and overseas by using a uniform calculation method. In addition, other treatment of individual items shall be provided to the extent that comparability between financial statements is not significantly impaired, taking into account the practices, etc., that have been conducted in Japan so far.

(2) Scheduled date of adoption

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

(3) Impact of adoption of such accounting standards and implementation guidances

The amounts that affect the consolidated financial statements by adopting the Accounting Standard for Fair Value Measurement, other standards and related implementation guidances have not yet been determined.

Accounting Standard for Disclosure of Accounting Estimates

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) issued International Accounting Standard (IAS) 1, Presentation of Financial Statements (“IAS 1”) in 2003. With respect to the sources of estimation uncertainty that are required to be disclosed in paragraph 125 of IAS 1, considering requesting the disclosure in the information of the notes under Japanese GAAP as information that is highly useful to users of financial statements is requested. The ASBJ has developed and published Accounting Standard for Disclosure of Accounting Estimates (the “Accounting Standard”).

The basic policy of the ASBJ in developing the Accounting Standard is not to expand individual notes, but to indicate principles (disclosure purposes) and to determine the specific content of disclosure in light of the purpose of disclosure by the company. In developing the accounting standard, the ASBJ referred to the provisions of paragraph 125 of IAS 1.

(2) Scheduled date of adoption

Effective from the end of the fiscal year ending in March 31, 2021.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

In response to the recommendation to consider enhancing the information in the notes pertaining to Accounting Principles and Procedures Adopted in Cases Where Provisions on Relevant Accounting Standards, Etc. Are Unclear, the ASBJ made the necessary revisions and issued them as Accounting

Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

In order to enhance the information in the notes pertaining to Accounting Principles and Procedures Adopted in Cases Where Provisions on Relevant Accounting Standards, Etc. Are Unclear, the provisions of Notes on Corporate Accounting Principles (Note 1-2) shall be handed over in order not to affect the practices to date in cases where the provisions on relevant accounting standards and other regulations are clear.

(2) Scheduled date of adoption

Effective from the end of the fiscal year ending in March 31, 2021.

IV. Additional information

Board Benefit Trust (BBT) Plan

Based on the resolution reached at the 49th Annual General Meeting of Shareholders held on June 22, 2018, the Company has introduced a new share-based payment plan or Board Benefit Trust (BBT) (the “Plan”) for the Company’s directors, excluding outside directors, (the “Eligible Directors”) and executive officers who currently do not serve as directors (the “Executive Officers.” The Eligible Directors and Executive Officers are hereinafter collectively referred to as the “Directors, etc.”).

(1) Overview of the transaction

The Plan is a share-based payment plan, under which the Company’s shares will be acquired by a trust (the trust to be established under the Plan is referred to hereinafter as the “Trust”) using funds that the Company will contribute, and the Company’s shares and cash equivalent to the market price of the Company’s shares (the “Company’s share, etc.”) will be provided to the Eligible Directors from the Trust in accordance with the Regulations for Provision of Shares to Officers established by the Company. In principle, the Company’s shares, etc. will be provided to the Eligible Directors on their retirement.

(2) Treasury shares remaining in trust

The shares of the Company remaining in trust are recorded as treasury shares under net assets based on the book value in trust (excluding the amount of incidental costs). The book value and the number of shares of treasury shares under the Plan are ¥680 million (U.S.\$6,257 thousand) and 102,500 shares as of March 31, 2020 and ¥694 million and 104,600 shares as of March 31, 2019.

(3) Book value of borrowings recorded based on the gross method

Not applicable

Impact of the spread of the Novel Coronavirus Disease (COVID-19) on accounting estimates

As of March 31, 2020, the Group calculated and considered reasonable amounts based on the information available at the time of preparing the consolidated financial statements for the collectability of lease receivables, etc., the profitability of assets for lease, etc., held by the Group, and determination of impairment of goodwill, etc.

The outlook for the economy is expected to remain severe due to the ongoing and rapid deterioration of economic activities caused by the global expansion of COVID-19.

However, the Group has made an accounting estimate based on the assumption that the spread of COVID-19 will subside around the end of the first half of the fiscal year ending March 31, 2021.

Items and events that may have a significant impact on the consolidated financial statements as they pertain to the spread of COVID-19 are as follows:

a. Allowance for doubtful accounts

The Group records an allowance for doubtful accounts for the estimated amount of losses incurred in the event of uncollectible receivables. Allowance for doubtful accounts is recorded at an amount estimated to be uncollectible based on the historical default rates for general receivables, and on the basis of the collectability of doubtful receivables, distressed receivables, etc. on a case-by-case basis. Allowance for doubtful accounts may require additional allowances due to changes in the historical default rates and the judgment of the collectability of individual receivables, depending

on the occurrence of bad debts, the status of collection of individual receivables, etc., after the spread of COVID-19.

b. Impairment of non-current assets (assets for lease, etc.)

In assessing the recoverability of impairment of non-current assets, the Group groups assets by company, and for asset groups whose profitability has declined significantly, the book value of non-current assets is written down to the recoverable amount, and the amount of the decrease is recorded as an impairment loss.

The recoverable amount of non-current assets is calculated based on the assumptions of future cash flows, discount rates, net sales value, etc. Therefore, if it becomes difficult to achieve the initial expected revenue due to the impact of the spread of COVID-19, or if the assumptions such as future cash flows change, an impairment loss on non-current assets may be recorded.

c. Impairment of goodwill

The Group estimates the effective period of goodwill and amortizes the goodwill over such period using the straight-line method. In addition, the Group is considering the economic benefits of goodwill based on the operating results of subsidiaries and business plans, etc. Due to the impact of the spread of COVID-19, if it becomes difficult to achieve the initial expected revenue in the future, and if the Group recognizes the need for impairment, it may record an impairment loss on goodwill in the future.

V. Notes for consolidated balance sheets

*1 Accumulated depreciation for property, plant and equipment

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Assets for lease	¥ 170,851	¥ 159,309	\$ 1,569,890	
Other operating assets	8,294	6,426	76,214	
Own-used assets	2,950	2,315	27,110	

*2 Investment securities in non-consolidated subsidiaries and associates were as follows:

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Investment securities (shares)	¥ 24,045	¥ 23,921	\$ 220,948	
(of which investment in joint ventures)	(23,239)	(23,013)	(213,541)	

*3 Assets pledged as collateral and liabilities secured by collateral

(1) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Cash and deposits	¥ 2,392	¥ 2,859	\$ 21,987	
Installment receivables	820	853	7,536	
Lease receivables and investments in leases	19,819	23,671	182,113	
Accounts receivable - other loans to customers	3,712	3,890	34,115	
Other (current assets)	79	—	732	
Operating lease and other contract receivables	2,983	3,574	27,412	
Assets for lease (property, plant and equipment)	26,123	14,613	240,039	
Other operating assets (property, plant and equipment)	19,020	20,376	174,774	
Own-used assets	11,185	—	102,782	
Total	¥ 86,137	¥ 69,839	\$ 791,490	

Note: Besides the above assets pledged as collateral, the Company provided installment receivables (¥16 million (U.S.\$147 thousand) in the fiscal year ended March 31, 2020, ¥26 million in the fiscal year ended March 31, 2019) and investment securities (¥612 million (U.S.\$5,625 thousand) in the fiscal year ended March 31, 2020, ¥612 million in the fiscal year ended March 31, 2019) as third party security for bank loans taken out by business partners. The Company maintains deposits of investment securities (¥3 million (U.S.\$28 thousand) and ¥3 million as of March 31, 2020 and March 31, 2019, respectively) for the purpose of sales transactions.

(2) Liabilities secured by collateral

	Millions of yen		Thousands of
	As of March 31, 2020	As of March 31, 2019	U.S. dollars
Other (current liabilities)	¥ 23	¥ 35	\$ 217
Long-term borrowings (current portion included)	44,956	38,832	413,090
Long-term payables under securitization of lease receivables (current portion included)	159	96	1,467
Total	¥ 45,139	¥ 38,963	\$ 414,775

4 Loan commitments in lending operations (as lender)

The unused credit balance, etc. in relation to loan commitment in lending operations was as follows:

	Millions of yen		Thousands of
	As of March 31, 2020	As of March 31, 2019	U.S. dollars
Total loan commitments	¥ 2,883	¥ 4,715	\$ 26,498
Balance of loans extended	1,142	560	10,495
Difference	¥ 1,741	¥ 4,155	\$ 16,004

Note that the above loan commitment agreements, a condition of lending is review of the borrower's use of funds and credit standing, etc., so this does not necessarily mean the full amount of loans will be extended.

5 Overdraft agreements and loan commitments (as borrower)

The Company has concluded overdraft agreements and loan commitment agreements with 79 correspondent financial institutions, etc. (72 in the fiscal year ended March 31, 2019) for the efficient procurement of working capital. The unused balance, etc. at the end of the fiscal years ended March 31, 2020 and 2019 based on these agreements was as follows:

	Millions of yen		Thousands of
	As of March 31, 2020	As of March 31, 2019	U.S. dollars
Upper limit on overdrafts and total loan commitments	¥ 972,809	¥ 909,509	\$ 8,938,794
Balance of borrowings drawn	478,876	438,865	4,400,226
Difference	¥ 493,932	¥ 470,643	\$ 4,538,568

6 Contingent liabilities

(1) Guarantees provided on borrowings, etc. of business partners, etc.

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Mizuho Bank, Ltd. (Note)	¥ 14,398	¥ –	\$ 132,303	
Marubeni Fuyo Auto Investment (CANADA) Inc.	1,915	2,066	17,599	
FANTASTIC FUNDING CORPORATION (Note)	1,748	–	16,064	
Fuyo General Lease (Asia) Pte. Ltd. (Note)	1,705	1,891	15,675	
Sumitomo Realty & Development Co., Ltd. (Note)	1,272	1,272	11,691	
AEON Mall Co., Ltd.	1,207	1,197	11,097	
JAPAN SECURITIZATION CORPORATION (Note)	956	876	8,789	
MONEY PARTNERS CO., LTD.	799	799	7,350	
AEON RETAIL CO., LTD.	682	676	6,273	
XYMAX ALPHA Corporation (Note)	633	702	5,823	
MaruzenJunkudo Bookstores Co., Ltd. (Note)	596	801	5,484	
Sumitomo Mitsui Trust Bank, Limited (Note)	499	–	4,594	
IBM Japan Credit LLC (Note)	407	373	3,746	
Sumitomo Mitsui Banking Corporation (Note)	–	372	–	
JCAM AGRI. CO., LTD.	234	217	2,155	
Employees (funds for purchasing housing)	10	22	98	
Others (867 in the fiscal year ended March 31, 2020, 821 in the fiscal year ended March 31, 2019)	27,716	24,082	254,679	
Total	¥ 54,787	¥ 35,353	\$ 503,419	

Note: The Company has guaranteed loans, etc. held by Mizuho Bank, Ltd. and others.

- (2) One of the Company's domestic consolidated subsidiaries engaged in business guarantee operations and the balance of guarantees for borrowings of general customers and other entities was ¥47,028 million (U.S.\$432,132 thousand) as of March 31, 2020 and ¥55,701 million as of March 31, 2019.

*7 Non-recourse debt included in borrowings were as follows:

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Current portion of long-term non-recourse borrowings	¥ 4,531	¥ 4,580	\$ 41,639	
Long-term non-recourse borrowings	39,126	37,846	359,516	
Total	¥ 43,657	¥ 42,427	\$ 401,155	

The assets corresponding to the non-recourse debt were as follows:

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Accounts receivable - other loans to customers	¥ 39,454	¥ 30,506	\$ 362,534	
Assets for lease (property, plant and equipment)	5,767	14,621	52,999	
Total	¥ 45,222	¥ 45,127	\$ 415,533	

*8 Payables under securitization of lease receivables, long-term payables under securitization of lease receivables

Payables under securitization of lease receivables and long-term payables under securitization of lease receivables include the amount of funds raised through securitization of lease agreement receivables, etc.

Note that the balance of lease agreement receivables, etc. transferred through this was ¥147,132 million (U.S.\$1,351,949 thousand) in the fiscal year ended March 31, 2020 and ¥106,730 million in the fiscal year ended March 31, 2019.

*9 Bills that mature on the last day of the fiscal period

Bills that mature on the last day of the fiscal period are settled on the clearing date of the bills.

Note that since the last day of the fiscal year ended March 31, 2019 was a financial institution holiday, the following amounts for bills that matured on the last day of the fiscal period have been included in the balance at the end of the fiscal year.

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Notes receivable - trade (installment receivables, lease receivables and investments in leases and others included)	¥ -	¥ 169	\$ -	
Notes payable - trade	-	757	-	

VI. Notes for consolidated statements of income

*1 Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Provision of allowance for doubtful accounts	¥ 564	¥ -	\$ 5,183
Bad debts expenses	770	659	7,076
Employees' salaries, allowances and bonuses	12,720	11,416	116,886
Provision for bonuses	2,135	2,000	19,623
Provision for bonuses for directors (and other officers)	182	178	1,677
Retirement benefit expenses	1,041	858	9,567
Provision for retirement benefits for directors (and other officers)	35	46	330
Provision for share awards for directors (and other officers)	189	137	1,740
Welfare expenses	2,917	2,701	26,806
Rent expenses	1,631	1,436	14,992
Depreciation	2,124	1,680	19,523
Amortization of goodwill	1,132	768	10,404

*2 Impairment losses

The Group recorded impairment losses for the following asset groups:

FY2019 (From April 1, 2019 to March 31, 2020)

Location	Use	Type	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Chiyoda-ku, Tokyo	Business assets	Software	¥ 1,274	\$ 11,711
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	1	12
Kingdom of Thailand	Business assets	Buildings, etc.	7	69

The Group classifies its asset groups based on offices, etc., as the minimum unit for generating cash flows. In addition, idle assets are grouped individually.

With respect to the software and buildings, etc., mentioned above, the Company and two domestic consolidated subsidiaries reviewed the impairment of non-current assets in accordance with this grouping. As a result, the book value of an asset group whose profit or loss from operating activities that is continually negative or is expected to be negative is reduced to the recoverable amount, and such reduced amount is recorded in extraordinary losses as an impairment loss. Excluding divertible assets, the recoverable amount is measured based on the value in use. However, since no future cash flows are expected, the value in use is evaluated as zero.

In addition, with respect to the telephone subscription rights mentioned above, due to a decrease in dormitories and company housing, etc., for which integrated telecommunication services for residential buildings are provided, one domestic consolidated subsidiary recorded an impairment loss for the entire amount of the book value of telephone subscription rights classified as idle with a memorandum value of ¥1 and a market value of zero in extraordinary losses.

FY2018 (From April 1, 2018 to March 31, 2019)

Location	Use	Type	Amount (Millions of yen)
Tokyo metropolitan area, etc.	Idle assets	Telephone subscription rights	¥ 0
Nemuro City, Hokkaido	Idle assets	Leased assets	22

The Group classifies its asset groups based on offices, etc., as the minimum unit for generating cash flows. In addition, idle assets are grouped individually.

With respect to the telephone subscription rights mentioned above, due to a decrease in dormitories and company housing, etc., for which integrated telecommunication services for residential buildings are provided, one domestic consolidated subsidiary recorded an impairment loss for the entire amount of the book value of telephone subscription rights classified as idle with a memorandum value of ¥1 and a market value of zero in extraordinary losses.

In addition, with respect to the leased assets mentioned above, the book value of the above assets is reduced to the recoverable amount due to the scheduled for retirement at one domestic consolidated subsidiary, and such amount of reduction is recorded as an impairment loss in extraordinary losses. The recoverable amount is measured based on the value in use. However, since no future cash flows are expected, the value in use is zero.

*3 The breakdown of loss on disposal of non-current assets is as follows.

(1) Loss on sales of non-current assets

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Equipment	¥ -	¥ 2	\$ -

(2) Loss on retirement of non-current assets

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Buildings	¥ 9	¥ 2	\$ 90
Equipment	2	4	24
Software	1	1	14
Total	¥ 14	¥ 8	\$ 129

VII. Notes for consolidated statements of comprehensive income

*1 Reclassification adjustments and income tax effect relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars	
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)	
Valuation difference on available-for-sale securities:				
Gains or losses arising during the year	¥ (3,948)	¥ (5,953)	\$ (36,277)	
Reclassification adjustments to profit or loss	504	(586)	4,631	
Amount before income tax effect	(3,443)	(6,539)	(31,646)	
Income tax effect	1,063	1,986	9,771	
Valuation difference on available-for-sale securities	¥ (2,380)	¥ (4,553)	\$ (21,875)	
Deferred gains or losses on hedges:				
Gains or losses arising during the year	(91)	(478)	(838)	
Reclassification adjustments to profit or loss	–	0	–	
Amount before income tax effect	(91)	(478)	(838)	
Income tax effect	(37)	(0)	(343)	
Deferred gains or losses on hedges	¥ (128)	¥ (478)	\$ (1,181)	
Foreign currency translation adjustment:				
Gains or losses arising during the year	(686)	(1,066)	(6,311)	
Foreign currency translation adjustment	¥ (686)	¥ (1,066)	\$ (6,311)	
Remeasurements of defined benefit plans, net of tax:				
Gains or losses arising during the year	(76)	(58)	(707)	
Reclassification adjustments to profit or loss	(1)	44	(18)	
Amount before income tax effect	(78)	(14)	(725)	
Income tax effect	24	4	222	
Remeasurements of defined benefit plans, net of tax	¥ (54)	¥ (10)	\$ (503)	
Share of other comprehensive income of entities accounted for using equity method:				
Gains or losses arising during the year	(1,169)	15	(10,750)	
Reclassification adjustments to profit or loss	12	9	116	
Share of other comprehensive income of entities accounted for using equity method	¥ (1,157)	¥ 24	\$ (10,635)	
Total other comprehensive income	¥ (4,408)	¥ (6,084)	\$ (40,505)	

VIII. Notes for consolidated statements of changes in equity

FY2019 (From April 1, 2019 to March 31, 2020)

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares at the beginning of the year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the year (Shares)
Issued shares				
Common shares	30,287,810	–	–	30,287,810
Total	30,287,810	–	–	30,287,810
Treasury shares				
Common shares (Note)	142,465	204,569	31,300	315,734
Total	142,465	204,569	31,300	315,734

- Notes: 1. The number of common shares in treasury shares at the end of the year includes the 102,500 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 204,569 increase in the number of common shares in treasury shares is due to an increase of 204,500 shares through the acquisition of treasury shares by resolution of the Board of Directors and an increase of 69 shares through the acquisition of fractional unit shares.
3. The 31,300 decrease in the number of common shares in treasury shares was a 29,200 decrease due to the exercise of stock options and a 2,100 decrease due to provision to the Board Benefit Trust (BBT).

2. Share acquisition rights and treasury shares acquisition rights

Category	Component of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (Shares)				Balance at the end of the year (Millions of yen)	Balance at the end of the year (Thousands of U.S. dollars)
			Beginning of the year	Increase	Decrease	End of the year		
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	¥ 764	\$ 7,022

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 21, 2019 Annual General Meeting of Shareholders	Common shares	¥ 3,327	¥ 110	March 31, 2019	June 24, 2019
November 6, 2019 Board of Directors	Common shares	3,006	100	September 30, 2019	December 3, 2019

- Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 21, 2019, include cash dividends of ¥11 million for the Company's shares held by Board Benefit Trust (BBT).
2. Dividend per share which resolved at Annual General Meeting of Shareholders held on June 21, 2019, comprises an ordinary dividend of ¥96 and a commemorative dividend of ¥14.
3. Total amount of cash dividends which resolved at Board of Directors held on November 6, 2019, include cash dividends of ¥10 million for the Company's shares held by Board Benefit Trust (BBT).

- (2) Dividends for which record date is in this fiscal year but the effective date for the dividends is in the following fiscal year

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 23, 2020 Annual General Meeting of Shareholders	Common shares	¥ 3,157	Retained earnings	¥ 105	March 31, 2020	June 24, 2020

(Resolution)	Type of shares	Total amount of cash dividends (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 23, 2020 Annual General Meeting of Shareholders	Common shares	\$ 29,016	Retained earnings	\$ 0.96	March 31, 2020	June 24, 2020

Note: Total amount of cash dividends include cash dividends of ¥10 million (U.S.\$99 thousand) for the Company's shares held by Board Benefit Trust (BBT).

FY2018 (From April 1, 2018 to March 31, 2019)

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares at the beginning of the year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the year (Shares)
Issued shares				
Common shares	30,287,810	–	–	30,287,810
Total	30,287,810	–	–	30,287,810
Treasury shares				
Common shares (Note)	64,939	104,726	27,200	142,465
Total	64,939	104,726	27,200	142,465

- Notes: 1. The number of common shares in treasury shares at the end of the year includes the 104,600 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 104,726 increase in the number of common shares in treasury shares is due to an increase of 104,600 shares through the acquisition by the Board Benefit Trust (BBT) and an increase of 126 shares through the acquisition of fractional unit shares.
3. The 27,200 decrease in the number of common shares in treasury shares was a decrease due to the exercise of stock options.

2. Share acquisition rights and treasury shares acquisition rights

Category	Component of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (Shares)				Balance at the end of the year (Millions of yen)
			Beginning of the year	Increase	Decrease	End of the year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	¥ 842

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 22, 2018 Annual General Meeting of Shareholders	Common shares	¥ 2,357	¥ 78	March 31, 2018	June 25, 2018
November 6, 2018 Board of Directors	Common shares	2,358	78	September 30, 2018	December 4, 2018

(2) Dividends for which record date is in this fiscal year but the effective date for the dividends is in the following fiscal year

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 21, 2019 Annual General Meeting of Shareholders	Common shares	¥ 3,327	Retained earnings	¥ 110	March 31, 2019	June 24, 2019

- Notes: 1. Total amount of cash dividends include cash dividends of ¥11 million for the Company's shares held by Board Benefit Trust (BBT).
2. Dividend per share comprises an ordinary dividend of ¥96 and a commemorative dividend of ¥14.

IX. Notes for consolidated statements of cash flows

- *1 Relationship between cash and cash equivalents at end of period and cash and deposits stated on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Cash and deposits	¥ 77,436	¥ 71,173	\$ 711,534
Time deposits with maturity of over three months	(19)	(1,255)	(178)
Cash and cash equivalents	¥ 77,416	¥ 69,918	\$ 711,356

- *2 Major components of assets and liabilities of a newly consolidated subsidiary due to acquisition of shares

FY2019 (From April 1, 2019 to March 31, 2020)

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of LN Holdings, Co., Ltd., NOC Outsourcing & Consulting Inc., NOC Techno-Solutions Inc., and NOC Biz Partners Inc., and the relation between the acquisition cost of shares and expenditure for the acquisition (net price).

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 3,139	\$ 28,843
Non-current assets	3,213	29,530
Goodwill	6,946	63,825
Current liabilities	(1,698)	(15,610)
Non-current liabilities	(2,116)	(19,445)
Valuation difference	(1,179)	(10,841)
Acquisition cost of shares	8,304	76,303
Cash and cash equivalents	(1,910)	(17,552)
Difference: net consideration paid for acquisition	¥ 6,393	\$ 58,751

FY2018 (From April 1, 2018 to March 31, 2019)

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of Kabushiki Kaisha GI Holdings and INVOICE Inc., and the relation between the acquisition cost of shares and expenditure for the acquisition (net price).

	Millions of yen
Current assets	¥ 32,438
Non-current assets	2,346
Goodwill	10,379
Current liabilities	(35,612)
Non-current liabilities	(1,238)
Valuation difference	1,302
Acquisition cost of shares	9,615
Cash and cash equivalents	(7,291)
Difference: net consideration paid for acquisition	¥ 2,323

Note: The amounts are presented using figures reflecting material changes to the initial allocation of acquisition costs, which arose as a result of the finalization of the tentative accounting treatment of business combinations.

X. Lease transactions

As lessee

1. Finance leases (including intangible assets)

Finance lease transactions (including intangible assets) that do not transfer ownership

1) Details of leased assets

Mainly servers, network equipment and office equipment.

2) Depreciation method for leased assets

The depreciation method for leased assets is described in “4. Summary of significant accounting policies (2) Depreciation and amortization” under “Basis of presentation.”

2. Operating leases

Future lease payments under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Within one year	¥ 590	¥ 638	\$ 5,428
Over one year	2,068	2,056	19,007
Total	¥ 2,659	¥ 2,695	\$ 24,435

As lessor

1. Finance leases

(1) Breakdown of investments in leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Lease receivables	¥ 1,011,779	¥ 971,704	\$ 9,296,878
Estimated residual value	13,891	15,265	127,645
Future interest income	(116,139)	(110,547)	(1,067,164)
Investments in leases	¥ 909,531	¥ 876,422	\$ 8,357,358

(2) Estimated collectible amount of portion of lease receivables arising from lease receivables and investments in leases after the consolidated balance sheet date

(Millions of yen)

	As of March 31, 2020					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	¥ 52,412	¥ 45,852	¥ 43,435	¥ 30,201	¥ 10,816	¥ 29,389
Investments in leases	287,795	202,639	172,453	108,626	63,064	177,199

(Thousands of U.S. dollars)

	As of March 31, 2020					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	\$ 481,595	\$ 421,326	\$ 399,111	\$ 277,511	\$ 99,385	\$ 270,052
Investments in leases	2,644,453	1,861,984	1,584,611	998,126	579,477	1,628,227

(Millions of yen)

	As of March 31, 2019					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	¥ 53,224	¥ 47,289	¥ 40,176	¥ 32,385	¥ 22,210	¥ 28,257
Investments in leases	270,925	204,629	149,702	120,816	62,101	163,528

- (3) For finance lease transactions that do not transfer ownership under lease agreements concluded prior to April 1, 2008, the appropriate book value (net of accumulated depreciation or amortization) for the assets for lease as of March 31, 2008 is recorded as the price of the investments in leases at the beginning of the fiscal year.

In addition, the straight-line method is used for allocating to each period the equivalent amount of interest for such investments in leases for the period remaining after the application of the accounting standards, etc.

Note that the consequent impact is omitted for both the fiscal years ended March 31, 2020 and 2019 because of immateriality.

2. Operating leases

Future lease payments required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Within one year	¥ 53,313	¥ 46,889	\$ 489,879
Over one year	266,201	238,757	2,446,031
Total	¥ 319,515	¥ 285,647	\$ 2,935,910

3. Sublease transactions

Lease receivables and investments in leases, and lease obligations under sublease transactions on the consolidated balance sheets are before interest deductions

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Lease receivables and investments in leases	¥ 18,981	¥ 23,233	\$ 174,411
Lease obligations (current liabilities)	20,081	24,900	184,526

XI. Financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group is engaged in leasing and installment transactions for machinery, equipment, etc. and financial transactions such as the provision of operating loans. The Group uses direct and indirect financing to procure funds for purchasing assets to lease or to sell through installment sales and for providing operating loans to customers. The Group's indirect financing mainly consists of loans from financial institutions, and its direct financing includes issuing bonds payable, commercial papers and securitization of receivables. As the Group holds financial assets and financial liabilities that are subject to interest rate fluctuation, assets and liabilities are comprehensively managed through asset-liability management (ALM) to mitigate the negative impact of interest rate fluctuations.

Derivatives are only used for mitigating currency and interest rate fluctuation risks and are not used for speculative purposes.

(2) Details of financial instruments and associated risks

Lease receivables and investments in leases, and operating loans are trade receivables due from customers and subject to credit risks associated with customer default. Foreign currency-denominated receivables and payables arising from overseas business are subject to risks associated with foreign currency fluctuations.

Operational investment securities and investment securities include business partners' shares, bonds, and investments in limited partnerships, etc. Those investments are subject to credit risks associated with the issuers and market price fluctuation risks.

Bonds payable, commercial papers, lease obligations, long-term borrowings, and long-term payables under securitization of lease receivables are used to procure funds for purchasing assets to lease or sell through installment sales to customers. These payables are subject to risks that may compel the Company to procure funds with exceptionally high interest rates and to liquidity risks (funding risks) that may negatively affect the Company's ability to obtain funding and result in losses.

A portion of long-term borrowings have floating interest rates and are therefore subject to interest rate fluctuation risks.

The Company uses foreign currency-related derivatives to reduce risks associated with foreign currency fluctuations that affect foreign currency-denominated receivables and payables. The Company uses interest rate-related derivatives to reduce interest rate fluctuation risks that affect borrowings. Please refer to the aforementioned in "4. Summary of significant accounting policies (8) Significant hedge accounting methods" under "Basis of presentation" in regard to hedge accounting methods for hedge accounting, hedging instruments and hedged items, hedging policies and methods for assessing hedge effectiveness, etc.

(3) Risk management system for financial instruments

1) Management of credit risks (default risks, etc.)

The Company's management system and rules for credit risks are prescribed in its internal "Basic Policy for Managing Credit Risks."

For all transactions that involve credit risks such as leases, installment sales, selling and purchasing, financing, and guarantee operations, the Company uses a credit risk measurement method, etc., identifies on a timely basis the location and size of credit risks, and responds adequately as necessary.

The Company's credit risk department is engaged in the following duties: 1) daily monitoring of the effectiveness of the credit risk management system, 2) screening and management of credit transactions involving business partners, 3) maintenance and enhancement of risk asset soundness, 4) enhancement of protection against doubtful receivables and implementation of measures related to collection of those receivables, and 5) guidance, support, etc. for the Company's offices and subsidiaries and associates. The department also rates debtors based on their financial status, etc. and degree of credit risk (i.e., their ability to pay debts). The credit ratings are used for credit risk management, portfolio investment and management, credit risk measurement, guidelines on pricing of individual credits, and self-assessment and recognition of adequate credit allowances, etc. based on the self-assessments. Further, the department regularly monitors the status of the Company's main business partners, manages payment-due dates and credit balances on a customer-by-customer basis, and closely monitors customers to identify potential impediments to the collectability of receivables (e.g., due to worsening financial condition) and takes steps to mitigate such impediments.

The effectiveness and appropriateness of credit risk management are examined through internal audits.

2) Management of market risks (risks associated with foreign exchange rates, interest rates, etc.)

The Company's market risk management rules and procedures are prescribed in its internal "Basic Policy for Managing Market and Liquidity Risks."

Market risks are controlled by comprehensively examining various factors such as financial position (revenues and shareholders' equity), balance between target revenues and risk levels, interest rate prospects, market environments, past results, and the level of risk management for various risks. The Company manages its exposure to risks when deemed necessary for the purpose of reducing risks and expanding revenues.

The Company's ALM Committee meets once a month as a general rule, and on an ad-hoc basis as needed, to review and examine practical measures related to market risk management and to monitor performance. At the monthly meeting, etc., the finance division reports on matters related to market risk management, including the status of market risk control, interest rate prospects, developments of market environment, etc., and hedge transactions, etc.

The Company's consolidated subsidiaries are subject to the Company's "Basic Policy for Managing Market and Liquidity Risks."

(i) Interest rate fluctuation risk management

The Company comprehensively manages interest rate fluctuation risks using ALM. The ALM Committee ascertains and monitors the status of ALM operations and discusses future direction and strategy based on the Company's ALM policies.

(ii) Foreign exchange risk management

The Company manages foreign exchange risk on a case-by-case basis, using forward exchange contracts as a general rule.

(iii) Price fluctuation risk management

With regard to operational investment securities and investment securities, the Company regularly monitors the fair value of these securities as well as the financial status of issuers and continuously reviews its financial position considering market conditions and its relationship with the issuers.

(iv) Derivatives

With regard to derivatives, the Company uses forward exchange contracts for the purpose of hedging risks associated with foreign currency fluctuations that affect its foreign currency-denominated receivables and payables. The Company uses interest rate swap contracts for the purpose of hedging interest rate fluctuation risks that affect its borrowings.

The Company's finance division is authorized to engage in and manage derivatives, in accordance with internal regulations and individuals authorized on job responsibilities and pursuant to the approval of the Company's president (CEO) or officer in charge of the finance division.

The Company's consolidated subsidiaries' derivative-related transactions are subject to the Company's internal regulations "Basic Policy for Managing Market and Liquidity Risks." In accordance with the Company's "Regulations on Managing Subsidiaries and Associates," the Company's consolidated subsidiaries report to the Company on derivative-related transactions. These reports explain the subsidiary's policy on engaging in the transaction, provide a validation of the transaction's objective, and detail the derivatives' status, counterparties, outstanding positions, and unrealized gains or losses.

(v) Quantitative information on market risk

The major types of financial instruments affected by interest rate risk, the Group's main risk factors, are "Installment receivables," "Lease receivables and investments in leases," "Operating loans," other marketable securities recorded under "Operational investment securities and investment securities," "Bonds payable," "Long-term borrowings," "Long-term payables under securitization of lease receivables," and interest rate swaps contracts included in "Derivatives." The Group performs quantitative analysis in managing the risk of interest rate fluctuations. This quantitative analysis incorporates the potential change in value of these financial assets and liabilities based on a reasonable range of potential interest rate movements. To calculate the potential change in value, the financial assets and liabilities are split into fixed-rate and variable-rate categories. For the fixed-rate category, the Company allocates the book value of the instruments into appropriate categories based on their interest-payment dates and applies an appropriate potential range of interest rate movements to each category. Assuming all risk factors other than interest rates remain constant, as of the fiscal year-end, a 10 basis point (0.1%) change in interest rates would result in a change of ¥3,784 million (U.S.\$34,778 thousand) for the fiscal year ended March 31, 2020 and a change of ¥3,922 million for the fiscal year ended March 31, 2019 in the fair value of these financial assets and liabilities. This potential change in value is based on the assumption that all risk factors other than interest rates remain constant and does not incorporate the effects of correlation between interest rates and the other risk factors. If interest rates fluctuate beyond the assumed reasonable range, the value of these financial assets and liabilities may be affected by more than the Group has estimated.

3) Management of liquidity risks associated with funding (risks of failure to pay on due date)

The Company's management system and rules for liquidity risks are prescribed in its internal "Basic Policy for Managing Market and Liquidity Risks."

With regard to liquidity risks (funding risks), the Company's finance division rigorously controls funding for ordinary operations. The division prepares daily statements of cash receipts/disbursements and an outlook of weekly and monthly cash receipts/disbursements, analyzes investment and cash receipt/disbursement data, and receives reports, etc. from each division to determine the impact on the Company's funding activities. The division also adequately controls liquidity, enhances capital efficiency, and optimizes liquidity risks and funding costs.

Funding is measured by adequately monitoring economic conditions, market environments, etc. Liquidity risks are allocated to management categories by level of funding and managed based on predetermined response policies and implementation standards for each category.

The Company's finance division also monitors consolidated subsidiaries' funding status and takes appropriate action as necessary based on that status.

(4) Supplementary explanation related to fair values, etc. of financial instruments

The fair value of a financial instrument represents its market value or a reasonably calculated value if a market value is not available. Because calculations involve variable inputs, the results of

calculations may vary depending on what premises and assumptions are used. Contract amounts and other derivatives data presented in “Derivatives” are nominal contract amounts or notional amounts used in calculations and do not indicate the amount of exposure.

2. Fair values, etc. of financial instruments

The book values, the fair values and their differences are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (See Note 2). Financial assets and liabilities, etc. not included in the following table are omitted from disclosure as they are immaterial in terms of value.

As of March 31, 2020

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Cash and deposits	¥ 77,436	¥ 77,436	¥ -
(2) Installment receivables*1,2	78,362	79,706	1,343
(3) Lease receivables and investments in leases*2	1,105,398	1,159,082	53,683
(4) Operating loans*2	306,444	309,853	3,408
(5) Operational investment securities and investment securities			
Other securities	207,295	207,295	-
Total assets	¥ 1,774,937	¥ 1,833,373	¥ 58,435
(1) Short-term borrowings	¥ 530,317	¥ 530,317	¥ -
(2) Commercial papers	450,700	450,700	-
(3) Lease obligations (current liabilities and non-current liabilities)	20,720	20,720	-
(4) Bonds payable (current portion included)	170,000	169,756	(243)
(5) Long-term borrowings (current portion included)	954,837	965,448	10,610
(6) Long-term payables under securitization of lease receivables (current portion included)	96,265	96,710	444
Total liabilities	¥ 2,222,841	¥ 2,233,652	¥ 10,811
Derivatives*3			
(i) Hedge accounting not applied	¥ -	¥ -	¥ -
(ii) Hedge accounting applied	(559)	(716)	(157)
Total derivatives	¥ (559)	¥ (716)	¥ (157)

	Thousands of U.S. dollars		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Cash and deposits	\$ 711,534	\$ 711,534	\$ –
(2) Installment receivables*1,2	720,047	732,393	12,346
(3) Lease receivables and investments in leases*2	10,157,116	10,650,392	493,276
(4) Operating loans*2	2,815,808	2,847,132	31,324
(5) Operational investment securities and investment securities			
Other securities	1,904,760	1,904,760	–
Total assets	\$ 16,309,266	\$ 16,846,211	\$ 536,946
(1) Short-term borrowings	\$ 4,872,898	\$ 4,872,898	\$ –
(2) Commercial papers	4,141,321	4,141,321	–
(3) Lease obligations (current liabilities and non-current liabilities)	190,390	190,390	–
(4) Bonds payable (current portion included)	1,562,069	1,559,827	(2,242)
(5) Long-term borrowings (current portion included)	8,773,665	8,871,163	97,498
(6) Long-term payables under securitization of lease receivables (current portion included)	884,550	888,635	4,086
Total liabilities	\$ 20,424,893	\$ 20,524,235	\$ 99,342
Derivatives*3			
(i) Hedge accounting not applied	–	–	–
(ii) Hedge accounting applied	\$ (5,137)	\$ (6,584)	\$ (1,448)
Total derivatives	\$ (5,137)	\$ (6,584)	\$ (1,448)

*1. Net of deferred profit on installment sales.

*2. Net of general and specific allowances for doubtful accounts related to installment receivables, lease receivables and investments in leases, and Operating loans.

*3. Assets and liabilities arising from derivatives are carried at net amounts with amounts in parentheses representing a net liability position.

As of March 31, 2019

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Cash and deposits	¥ 71,173	¥ 71,173	¥ -
(2) Installment receivables*1,2	96,012	97,466	1,454
(3) Lease receivables and investments in leases*2	1,082,446	1,133,875	51,429
(4) Operating loans*2	297,729	303,510	5,781
(5) Operational investment securities and investment securities			
Other securities	200,516	200,516	-
Total assets	¥ 1,747,878	¥ 1,806,542	¥ 58,664
(1) Short-term borrowings	¥ 491,659	¥ 491,659	¥ -
(2) Commercial papers	500,700	500,700	-
(3) Lease obligations (current liabilities and non-current liabilities)	25,696	25,696	-
(4) Bonds payable (current portion included)	125,000	124,943	(56)
(5) Long-term borrowings (current portion included)	890,394	903,580	13,186
(6) Long-term payables under securitization of lease receivables (current portion included)	66,304	66,857	553
Total liabilities	¥ 2,099,754	¥ 2,113,437	¥ 13,682
Derivatives*3			
(i) Hedge accounting not applied	¥ -	¥ -	¥ -
(ii) Hedge accounting applied	(479)	(655)	(176)
Total derivatives	¥ (479)	¥ (655)	¥ (176)

*1. Net of deferred profit on installment sales.

*2. Net of general and specific allowances for doubtful accounts related to Installment receivables, lease receivables and investments in leases, and operating loans.

*3. Assets and liabilities arising from derivatives are carried at net amounts with amounts in parentheses representing a net liability position.

Notes: 1. Measurements of fair value of financial instruments, and securities and derivatives

Assets

(1) Cash and deposits

The fair values of deposits that have no maturity are based on their book value, which closely approximate their fair values.

(2) Installment receivables

Fair values are calculated by discounting uncollected receivables at the rate applied to new contracts. The Company calculates the fair values of doubtful receivables by deducting estimated losses on bad debts from their book values as of the consolidated balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debts are calculated based on estimated cash flows or estimated net realizable value, etc. covered by collateral or guaranty.

(3) Lease receivables and investments in leases

Present values of lease receivables and investments in leases are calculated by subtracting major administrative and maintenance expenses from the total of uncollected lease receivables and lease payment receivables. The Company calculates the fair values of doubtful receivables by deducting estimated losses on bad debts from their book values as of the consolidated balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debts are calculated based on estimated cash flows or estimated net realizable value, etc. covered by collateral or guaranty.

Lease receivables and investments in leases under sublease contracts are recorded on the consolidated balance sheets before interest deductions. The amount recorded as the fair value is the book value on the consolidated balance sheet. The difference between (a) the fair valued calculated by discounting at the rate applied to new contracts and (b) their book value of lease receivables and investments in leases under sublease contracts is ¥390 million (U.S.\$3,590 thousand) as of March 31, 2020 and ¥363 million as of March 31, 2019.

(4) Operating loans

Fair values of floating-rate operating loans are based on their book value. Market rates are reflected in the rates on floating-rate operating loans in a short period of time, so their book value closely approximate their fair values as long as the borrower credit status does not change materially after loan issuance. Fair values of fixed-rate operating loans are calculated by discounting total principal and interest for each borrower at the rate applied to new contracts. The Company calculates the fair values of doubtful receivables by deducting estimated losses on bad debts from their book values as of the consolidated balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debts are calculated based on estimated cash flows or estimated net realizable value, etc. covered by collateral or guaranty.

(5) Operational investment securities and investment securities

Fair values are based on amounts obtained from relevant financial and other institutions. In addition, please refer to "Securities" in regard to other securities.

Liabilities

(1) Short-term borrowings, (2) Commercial papers

Fair values of short-term borrowings and commercial papers are based on their book value because they are settled over the short-term, so their book value closely approximate their fair values.

(3) Lease obligations (current liabilities and non-current liabilities)

Lease obligations are stated on the consolidated balance sheets before interest deductions. The amount recorded as the fair value is their book value on the balance sheets. The difference

between the fair value calculated by discounting at the rate applied to new contracts and their book value of lease obligations is ¥145 million (U.S.\$1,333 thousand) as of March 31, 2020 and ¥161 million as of March 31, 2019.

- (4) Bonds payable (current portion included), (5) Long-term borrowings (current portion included), (6) Long-term payables under securitization of lease receivables (current portion included)

Fair values of floating-rate loans and payables in these categories are based on their book value. Market rates are reflected in the rates on these loans and payables in a short period of time, and the Company's credit status has not changed materially since issuance, so their book value are deemed to closely approximate to their fair values. To calculate the fair values of fixed-rate loans and payables in these categories, the instruments are first allocated to categories according to maturity terms. Total principal and interest for each category is discounted at a notional rate that is assumed would apply to borrowing in the same amount.

Derivatives

Please refer to "Derivatives."

2. Financial instruments whose fair values are deemed extremely difficult to determine

Category	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Other securities			
Unlisted shares*1	¥ 6,615	¥ 5,754	\$ 60,792
Subsidiary's shares / associates' shares*1	24,045	23,921	220,948
Preferred securities / beneficial interest in trusts*1	5,225	2,600	48,016
Investments in limited partnerships, etc.*2	83,639	39,557	768,530
Total	¥ 119,526	¥ 71,834	\$ 1,098,286

*1. These are not included in "(5) Operational investment securities and investment securities" because their market values are not available, and it is deemed extremely difficult to determine their fair values.

*2. Within investments in limited partnerships, etc., the fair values of partnership assets consisting of investments whose fair values are deemed extremely difficult to determine are not included.

3. Redemption schedule by term for monetary receivables and securities with maturity after the consolidated balance sheet dates

As of March 31, 2020

	Millions of yen			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash and deposits	¥ 77,436	¥ –	¥ –	¥ –
Installment receivables	31,281	44,425	1,993	2,053
Lease receivables and investments in leases	307,532	619,910	132,607	46,789
Operating loans	56,887	213,086	31,600	5,550
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	3,307	18,288	11,243	–
Bonds (other)	–	–	–	–
Other	449	80,287	30,918	3,346
Total	¥ 476,895	¥ 975,997	¥ 208,363	¥ 57,739

	Thousands of U.S. dollars			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash and deposits	\$ 711,534	\$ –	\$ –	\$ –
Installment receivables	287,435	408,209	18,315	18,866
Lease receivables and investments in leases	2,825,809	5,696,133	1,218,484	429,934
Operating loans	522,721	1,957,977	290,363	51,001
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	30,392	168,046	103,313	–
Bonds (other)	–	–	–	–
Other	4,131	737,732	284,103	30,750
Total	\$ 4,382,022	\$ 8,968,097	\$ 1,914,577	\$ 530,551

As of March 31, 2019

	Millions of yen			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash and deposits	¥ 71,173	¥ –	¥ –	¥ –
Installment receivables	40,913	52,298	2,051	2,189
Lease receivables and investments in leases	293,371	623,455	127,286	39,416
Operating loans	63,778	172,812	55,356	6,484
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	4,701	16,280	11,056	–
Bonds (other)	–	–	–	–
Other	22,309	37,641	14,454	2,411
Total	¥ 496,248	¥ 902,489	¥ 210,206	¥ 50,501

4. Repayment schedule by term for bonds payable, long-term borrowings, and other interest-bearing debt after the consolidated balance sheet dates.

As of March 31, 2020

	Millions of yen					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	¥ 530,317	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	450,700	–	–	–	–	–
Lease obligations	7,417	4,999	3,510	2,264	1,051	1,477
Bonds payable	20,000	30,000	30,000	25,000	35,000	30,000
Long-term borrowings	274,820	233,864	177,699	104,495	75,666	88,291
Long-term payables under securitization of lease receivables	41,396	29,493	17,023	3,509	4,792	51
Total	¥ 1,324,651	¥ 298,356	¥ 228,233	¥ 135,268	¥ 116,510	¥ 119,820

	Thousands of U.S. dollars					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	\$ 4,872,898	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial papers	4,141,321	–	–	–	–	–
Lease obligations	68,160	45,936	32,254	20,806	9,662	13,573
Bonds payable	183,773	275,659	275,659	229,716	321,602	275,659
Long-term borrowings	2,525,226	2,148,897	1,632,821	960,169	695,269	811,283
Long-term payables under securitization of lease receivables	380,375	271,001	156,419	32,246	44,036	473
Total	\$ 12,171,753	\$ 2,741,493	\$ 2,097,153	\$ 1,242,937	\$ 1,070,569	\$ 1,100,987

As of March 31, 2019

	Millions of yen					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	¥ 491,659	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	500,700	–	–	–	–	–
Lease obligations	10,379	6,476	3,984	2,403	1,135	1,315
Bonds payable	20,000	20,000	30,000	10,000	25,000	20,000
Long-term borrowings	244,023	207,414	178,555	107,752	64,697	87,950
Long-term payables under securitization of lease receivables	27,802	18,348	10,107	4,046	574	5,425
Total	¥ 1,294,565	¥ 252,238	¥ 222,648	¥ 124,202	¥ 91,407	¥ 114,692

XII. Securities

1. Other securities

As of March 31, 2020

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 59,723	¥ 13,746	¥ 45,977
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	64,874	64,200	674
	3) Other	–	–	–
	(3) Other	22,930	20,883	2,047
	Subtotal	147,528	98,829	48,698
Securities whose book value does not exceed their acquisition cost	(1) Shares	2,739	3,558	(819)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	27,582	27,710	(127)
	3) Other	–	–	–
	(3) Other	29,444	30,512	(1,068)
	Subtotal	59,766	61,781	(2,014)
Total		¥ 207,295	¥ 160,611	¥ 46,683

	Type	Thousands of U.S. dollars		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	\$ 548,778	\$ 126,310	\$ 422,468
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	596,105	589,911	6,194
	3) Other	–	–	–
	(3) Other	210,701	191,887	18,814
	Subtotal	1,355,584	908,108	447,476
Securities whose book value does not exceed their acquisition cost	(1) Shares	25,172	32,702	(7,530)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	253,448	254,617	(1,169)
	3) Other	–	–	–
	(3) Other	270,557	280,373	(9,816)
	Subtotal	549,177	567,692	(18,515)
Total		\$ 1,904,760	\$ 1,475,799	\$ 428,961

Note: Unlisted shares, etc. (Book value ¥95,480 million (U.S.\$877,338 thousand)) are not included in the above “Other securities” because their market values are not available, and it is deemed extremely difficult to determine their fair values.

As of March 31, 2019

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 62,771	¥ 14,123	¥ 48,648
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	73,686	72,800	885
	3) Other	–	–	–
	(3) Other	19,674	18,084	1,590
	Subtotal	156,132	105,008	51,124
Securities whose book value does not exceed their acquisition cost	(1) Shares	1,822	2,515	(693)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	8,600	8,600	–
	3) Other	–	–	–
	(3) Other	33,961	34,298	(336)
	Subtotal	44,384	45,414	(1,030)
Total		¥ 200,516	¥ 150,423	¥ 50,093

Note: Unlisted shares, etc. (Book value ¥47,912 million) are not included in the above “Other securities” because their market values are not available, and it is deemed extremely difficult to determine their fair values.

2. Other securities sold

FY2019 (From April 1, 2019 to March 31, 2020)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 406	¥ 395	¥ 0
(2) Bonds			
1) Government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	¥ 406	¥ 395	¥ 0

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain	Total loss
(1) Shares	\$ 3,735	\$ 3,635	\$ 0
(2) Bonds			
1) Government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	\$ 3,735	\$ 3,635	\$ 0

FY2018 (From April 1, 2018 to March 31, 2019)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 2,488	¥ 941	¥ –
(2) Bonds			
1) Government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	¥ 2,488	¥ 941	¥ –

3. Impairment losses on securities

During the fiscal year ended March 31, 2020, impairment loss recorded on securities amounted to ¥545 million (U.S.\$5,012 thousand) (securities classified as other securities: ¥545 million (U.S.\$5,012 thousand)) and during the fiscal year ended March 31, 2019, impairment loss recorded on securities amounted to ¥– million (securities classified as other securities: ¥– million).

The Company recognizes the impairment losses where the decline in the price at year end is greater than or equal to 50% of the acquisition cost. Where the decline in the price is between 30% and less than 50% of the acquisition cost, the Company may recognize impairment losses, taking into consideration the credit rating of the issuer, the materiality of the amount, the likelihood of the securities recovering in price, etc., as well as the analysis of the level of market price by looking at the gap between the book value and the highest and lowest price and other data during the fiscal years ended March 31, 2020 and 2019.

XIII. Derivatives

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency-related derivatives

As of March 31, 2020

Not applicable

As of March 31, 2019

Not applicable

(2) Interest rate-related

As of March 31, 2020

Not applicable

As of March 31, 2019

Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related derivatives

As of March 31, 2020

Not applicable

As of March 31, 2019

Not applicable

(2) Interest rate-related contracts

As of March 31, 2020

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	¥ 101,266	¥ 86,430	¥ (559)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	37,048	23,319	(157)
Total			¥ 138,314	¥ 109,749	¥ (716)

Hedge accounting	Type of contracts	Hedged item	Thousands of U.S. dollars		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	\$ 930,498	\$ 794,183	\$ (5,137)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	340,423	214,271	(1,448)
Total			\$ 1,270,921	\$ 1,008,454	\$ (6,584)

Note: Measurements of the fair value

The fair values are based on the amounts, etc. presented by relevant financial and other institutions.

As of March 31, 2019

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	¥ 9,553	¥ 9,553	¥ (479)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	29,815	26,176	(176)
Total			¥ 39,368	¥ 35,729	¥ (655)

Note: Measurements of the fair value

The fair values are based on the amounts, etc. presented by relevant financial and other institutions.

XIV. Retirement benefits

1. Overview of the Group's retirement benefits plan

The Company has a defined-benefit corporate pension fund plan (established by the Company and Group companies) and a defined-benefit corporate pension plan as its defined-benefit system, and it also has a defined-contribution pension plan as its defined-contribution system.

The defined-benefit corporate pension fund plan is the only fund type and provides a lump-sum payment or pension based on the employees' final salary points and lengths of service. Furthermore, certain defined-benefit corporate pension fund plans have retirement benefit trusts.

The defined-benefit corporate pension fund plan (established by the Company and Group companies) which is multi-employer type of pension plan is accounted for in the same manner as a defined-contribution pension plan because it is not possible to reasonably estimate the value of plan assets corresponding to the contribution of each company.

The defined-contribution pension plan was transferred from a termination allowance plan on November 1, 2009. The defined-contribution pension plan, under which employees are participants, is funded by the contributions based on the participant's plan course and eligibility.

Some of the domestic consolidated subsidiaries have a defined-benefit corporate pension plan and a termination allowance plan as its defined-benefit pension system.

Some of the domestic consolidated subsidiaries, which have a defined-benefit corporate pension plan and a termination allowance plan, use simplified accounting methods for calculation of retirement benefit liability and retirement benefit expenses. In the termination allowance plan, retirement benefit obligations are recorded in the amount to be paid for voluntary retirement as of fiscal year-end. In the corporate pension plan, retirement benefit obligations are recorded in the amount of actuarial liability calculated under the latest pension funding programs.

The Company and some of its domestic consolidated subsidiaries may make lump-sum payments of premium retirement benefits to some employees at their retirement and certain situation.

2. Defined-benefit pension plan (excluding pension plans using the simplified accounting methods)

(1) Reconciliation of retirement benefit obligations as of beginning of year and as of end of year

	Millions of yen		Thousands of
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	U.S. dollars FY2019 (April 1, 2019 - March 31, 2020)
Retirement benefit obligations at beginning of year	¥ 11,581	¥ 11,244	\$ 106,414
Service cost	571	593	5,255
Interest cost	58	57	539
Actuarial gains or losses	7	(6)	67
Retirement benefits paid	(377)	(307)	(3,466)
Retirement benefit obligations at end of year	¥ 11,841	¥ 11,581	\$ 108,809

(2) Reconciliation of plan assets as of beginning of year and as of end of year

	Millions of yen		Thousands of U.S. dollars	
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)	
Plan assets at beginning of year	¥ 10,392	¥ 10,165	\$ 95,494	
Expected return on plan assets	249	260	2,294	
Actuarial gains or losses	(383)	(196)	(3,523)	
Contribution from employer	473	467	4,353	
Retirement benefits paid	(371)	(304)	(3,414)	
Plan assets at end of year	¥ 10,360	¥ 10,392	\$ 95,202	

(3) Reconciliation of retirement benefit obligations and plan assets at end of fiscal year and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Retirement benefit obligations for funded pension plans	¥ 11,841	¥ 11,581	\$ 108,809	
Plan assets	(10,360)	(10,392)	(95,202)	
	1,480	1,188	13,607	
Retirement benefit obligations for unfunded pension plans	–	–	–	
Net assets or liabilities recorded in the consolidated balance sheets	1,480	1,188	13,607	
Retirement benefit liability	1,480	1,188	13,607	
Retirement benefit asset	–	–	–	
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,480	¥ 1,188	\$ 13,607	

(4) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars	
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)	
Service cost	¥ 571	¥ 593	\$ 5,255	
Interest cost	58	57	539	
Expected return on plan assets	(249)	(260)	(2,294)	
Amortization of actuarial loss	311	174	2,865	
Amortization of prior service cost	–	–	–	
Other	(48)	(44)	(449)	
Retirement benefit expenses for defined-benefit pension plan	¥ 643	¥ 520	\$ 5,917	

(5) Remeasurements of defined benefit plans

The components of items recorded in remeasurements of defined benefit plans, net of tax included in other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars	
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)	
Prior service cost	¥ -	¥ -	\$ -	
Actuarial gains or losses	(78)	(14)	(725)	
Total	¥ (78)	¥ (14)	\$ (725)	

(6) Remeasurements of defined benefit plans

The components of items recorded in remeasurements of defined benefit plans, net of tax included in accumulated other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Unrecognized prior service cost	¥ -	¥ -	\$ -	
Unrecognized actuarial gains or losses	176	97	1,624	
Total	¥ 176	¥ 97	\$ 1,624	

(7) Plan assets

1) Breakdown of plan assets

Ratio of each major component of plan assets was as follows:

	As of March 31, 2020	As of March 31, 2019
	%	%
Bonds	38	38
Shares	15	19
Cash and deposits	6	3
General account	31	30
Other	10	10
Total	100	100

Note: The total includes retirement benefits trust established for corporate pension plan at 5% in the fiscal year ended March 31, 2020 and 5% in the fiscal year ended March 31, 2019.

2) Estimation of expected long-term rate of return on plan assets

Expected long-term rate of return on plan assets is estimated based on current and expected future distribution of plan assets as well as current and expected future long-term rate of return on various components of plan assets.

(8) Basis for actuarial calculation

Major basis for actuarial calculation

	As of March 31, 2020	As of March 31, 2019
	%	%
Discount rate	0.37 - 0.98	0.37 - 0.98
Expected long-term rate of return	2.37 - 2.50	2.50 - 2.58
Expected increase in salary	1.28 - 3.75	1.37 - 3.75

3. Defined-benefit pension plans using the simplified accounting methods

(1) Reconciliation of retirement benefit liability for the pension plans using the simplified accounting methods as of beginning of year and as of end of year

	Millions of yen		Thousands of U.S. dollars	
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)	
Retirement benefit liability at beginning of year	¥ 681	¥ 401	\$ 6,259	
Retirement benefit expenses	135	84	1,248	
Retirement benefits paid	(120)	(12)	(1,103)	
Increase by the new consolidated subsidiary	–	207	–	
Retirement benefit liability at end of year	¥ 696	¥ 681	\$ 6,404	

(2) Reconciliation of retirement benefit obligations and plan assets at end of fiscal year and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	
Retirement benefit obligations for funded pension plans	¥ 473	¥ 474	\$ 4,354	
Plan assets	(145)	(141)	(1,339)	
	328	332	3,015	
Retirement benefit obligations for unfunded pension plans	368	348	3,389	
Net assets or liabilities recorded in the consolidated balance sheets	696	681	6,404	
Retirement benefit liability	696	681	6,404	
Retirement benefit asset	–	–	–	
Net assets or liabilities recorded in the consolidated balance sheets	¥ 696	¥ 681	\$ 6,404	

(3) Retirement benefit expenses

Retirement benefit expenses calculated by simplified accounting method

FY2019 (April 1, 2019 - March 31, 2020): ¥135 million (U.S.\$1,248 thousand)

FY2018 (April 1, 2018 - March 31, 2019): ¥84 million

4. Defined contribution plan

In the fiscal years ended March 31, 2020 and 2019 the amount required to be contributed by the Company to the defined-contribution pension plan amounted to ¥84 million (U.S.\$773 thousand) and ¥81 million, respectively.

5. Multi-employer type of pension plan

In the fiscal years ended March 31, 2020 and 2019 the amount required to be contributed to the defined-benefit corporate pension fund plan (established by the Company and Group companies) of multi-employer type of pension plan amounted to ¥177 million (U.S.\$1,630 thousand) and ¥171

million, respectively. The contribution is accounted for in the same manner with a defined-contribution pension plan.

(1) Most recent funded status of the multi-employer welfare pension plan

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020	As of March 31, 2019
	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019	As of March 31, 2018
Amount of plan assets	¥ 13,171	¥ 12,260	\$ 121,027	\$ 117,996
Actuarial liability under pension funding programs	13,929	13,496	127,996	124,996
Difference	¥ (758)	¥ (1,235)	\$ (6,968)	\$ (7,000)

(2) Premium contribution ratio for the Group's contribution to multi-employer type of pension plan

FY2019: 13.476% (From April 1, 2019 to March 31, 2020)

FY2018: 13.188% (From April 1, 2018 to March 31, 2019)

(3) Supplementary explanation

The main reasons for the difference in (1) above are the balance of prior service obligations under pension funding programs (¥5,480 million (U.S.\$50,356 thousand) in the fiscal year ended March 31, 2020, ¥5,937 million in the fiscal year ended March 31, 2019), General reserve (¥4,721 million (U.S.\$43,388 thousand) in the fiscal year ended March 31, 2020, ¥4,701 million in the fiscal year ended March 31, 2019) and deductions for asset valuation adjustments due to the use of actuarial valuation methods for asset valuations under pension funding (¥– million in the fiscal year ended March 31, 2020, ¥– million in the fiscal year ended March 31, 2019).

The amortization method for prior service obligations in this system is even amortization of principal and interest over 20 years. Were for some, unlikely reason, a shortage to occur for the balance brought forward, this would be dealt with through methods such as raising special premiums as necessary based on the recalculation of the financial situation.

Since the amount of the special premiums is calculated by multiplying the amount of base salary at the time of premium contribution by the premium rate prescribed in advance, the ratio in (2) above is not the same as the actual burden ratio.

XV. Stock options, etc.

1. Stock options-related expenses were recorded in the following account

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Selling, general and administrative expenses (share-based payment expenses)	¥ -	¥ 3	\$ -

Note: The Company abolished the share-based payment-type stock options plan at the 49th Annual General Meeting of Shareholders held on June 22, 2018 and introduced the BBT (Board Benefit Trust) Plan.

2. Gains on expiration of unexercised stock options

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Gain on reversal of share acquisition rights	¥ -	¥ 8	\$ -

3. Details, number and status of stock options

(1) Details of stock options

Since the Company resolved at the 49th Annual General Meeting of Shareholders held on June 22, 2018 to introduce the share-based payment plan or Board Benefit Trust (BBT) for its directors and executive officers and abolished the share-based payment-type stock options plan, there has been no new granting of stock options.

	Stock options for 2008	Stock options for 2009	Stock options for 2010
Class and number of grantees (Note 1)	Directors of the Company: 8 Executive officers of the Company: 16	Directors of the Company: 8 Executive officers of the Company: 15	Directors of the Company: 7 Executive officers of the Company: 17
Number and type of stock options (Note 2)	Common shares: 57,800 shares	Common shares: 84,600 shares	Common shares: 61,300 shares
Grant date	October 15, 2008	October 15, 2009	October 15, 2010
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2008 – October 14, 2038 (Note 5)	October 15, 2009 – October 14, 2039 (Note 5)	October 15, 2010 – October 14, 2040 (Note 5)

	Stock options for 2011	Stock options for 2012	Stock options for 2013
Class and number of grantees (Note 1)	Directors of the Company: 7 Executive officers of the Company: 16	Directors of the Company: 8 Executive officers of the Company: 16	Directors of the Company: 8 Executive officers of the Company: 18
Number and type of stock options (Note 2)	Common shares: 54,800 shares	Common shares: 73,000 shares	Common shares: 42,000 shares
Grant date	October 14, 2011	October 16, 2012	October 15, 2013
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 14, 2011 – October 13, 2041 (Note 5)	October 16, 2012 – October 15, 2042 (Note 5)	October 15, 2013 – October 14, 2043 (Note 5)

	Stock options for 2014	Stock options for 2015	Stock options for 2016
Class and number of grantees (Note 1)	Directors of the Company: 7 Executive officers of the Company: 18	Directors of the Company: 7 Executive officers of the Company: 19	Directors of the Company: 7 Executive officers of the Company: 21
Number and type of stock options (Note 2)	Common shares: 35,500 shares	Common shares: 28,600 shares	Common shares: 34,700 shares
Grant date	October 15, 2014	October 15, 2015	October 14, 2016
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2014 – October 14, 2044 (Note 5)	October 15, 2015 – October 14, 2045 (Note 5)	October 14, 2016 – October 13, 2046 (Note 5)

	Stock options for 2017
Class and number of grantees (Note 1)	Directors of the Company: 6 Executive officers of the Company: 22
Number and type of stock options (Note 2)	Common shares: 22,200 shares
Grant date	October 16, 2017
Vesting conditions	(Note 3)
Requisite service period	(Note 4)
Exercise period	October 16, 2017 – October 15, 2047 (Note 5)

- Notes:
1. Excluding outside directors and outside corporate auditors
 2. Converted to number of shares
 3. No vesting conditions attached
 4. No provision for requisite service period
 5. Notwithstanding the above, if a share acquisition rights holder loses his/her position as director, corporate auditor, or executive officer of the Company during the above term, he/she may exercise the rights within a period of five years beginning on the day that exactly one year has passed since the day immediately after the day on which the holder loses his/her position.

(2) Movement in stock options

The number of stock options that existed during the fiscal year ended March 31, 2020 is translated into the number of shares.

1) Number of stock options

	Stock options for 2008	Stock options for 2009	Stock options for 2010
Pre-vesting (shares)			
Previous fiscal year-end	–	–	–
Granted	–	–	–
Expired	–	–	–
Vested	–	–	–
Balance unvested	–	–	–
Post-vesting (shares)			
Previous fiscal year-end	2,700	12,400	21,200
Vested	–	–	–
Exercised	1,400	2,000	4,900
Expired	–	–	–
Balance unexercised	1,300	10,400	16,300

	Stock options for 2011	Stock options for 2012	Stock options for 2013
Pre-vesting (shares)			
Previous fiscal year-end	–	–	–
Granted	–	–	–
Expired	–	–	–
Vested	–	–	–
Balance unvested	–	–	–
Post-vesting (shares)			
Previous fiscal year-end	24,800	41,500	25,200
Vested	–	–	–
Exercised	2,600	8,100	4,200
Expired	–	–	–
Balance unexercised	22,200	33,400	21,000

	Stock options for 2014	Stock options for 2015	Stock options for 2016
Pre-vesting (shares)			
Previous fiscal year-end	–	–	–
Granted	–	–	–
Expired	–	–	–
Vested	–	–	–
Balance unvested	–	–	–
Post-vesting (shares)			
Previous fiscal year-end	30,000	27,300	33,300
Vested	–	–	–
Exercised	2,600	3,400	–
Expired	–	–	–
Balance unexercised	27,400	23,900	33,300

	Stock options for 2017
Pre-vesting (shares)	
Previous fiscal year-end	–
Granted	–
Expired	–
Vested	–
Balance unvested	–
Post-vesting (shares)	
Previous fiscal year-end	22,200
Vested	–
Exercised	–
Expired	–
Balance unexercised	22,200

2) Unit price

	Stock options for 2008 Yen	Stock options for 2009 Yen	Stock options for 2010 Yen
Exercise price	¥ 1	¥ 1	¥ 1
Average price per share at exercise	5,685	5,685	5,890
Fair value at grant date	1,610	1,668	2,218

	Stock options for 2011 Yen	Stock options for 2012 Yen	Stock options for 2013 Yen
Exercise price	¥ 1	¥ 1	¥ 1
Average price per share at exercise	5,685	6,135	5,809
Fair value at grant date	2,449	1,943	3,556

	Stock options for 2014 Yen	Stock options for 2015 Yen	Stock options for 2016 Yen
Exercise price	¥ 1	¥ 1	¥ 1
Average price per share at exercise	5,911	6,134	–
Fair value at grant date	3,584	4,653	4,606

	Stock options for 2017 Yen	
Exercise price	¥	1
Average price per share at exercise		—
Fair value at grant date		6,840

4. Estimation method for fair value of stock options

Not applicable

5. Estimation method for the number of vested stock options

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

XVI. Tax effect accounting

1. The respective breakdowns of deferred tax assets and deferred tax liabilities by major item

	Millions of yen		Thousands of
	As of March 31, 2020	As of March 31, 2019	U.S. dollars
Deferred tax assets			
Excess of allowance for doubtful accounts	¥ 1,531	¥ 1,488	\$ 14,074
Guarantee deposits received	934	837	8,591
Accrued expenses	806	706	7,407
Retirement benefit liability	715	617	6,578
Loss on valuation of investment securities, etc.	665	356	6,114
Provision for bonuses	664	601	6,106
Asset retirement obligations	546	356	5,026
Revenue recognized for tax purposes	463	313	4,261
Excess of depreciation	439	31	4,039
Prepaid expenses	385	306	3,539
Enterprise taxes payable	345	392	3,177
Gain on transfer of receivables	245	216	2,252
Share-based payment expenses	233	258	2,150
Tax loss carried forward (Note 2)	46	1,478	431
Other	999	913	9,184
Subtotal deferred tax assets	9,025	8,874	82,929
Valuation allowance related to tax loss carried forward (Note 2)	(0)	(6)	(8)
Valuation allowance related to total deductible temporary differences	(122)	(47)	(1,125)
Subtotal valuation allowance (Note 1)	(123)	(54)	(1,133)
Total deferred tax assets	8,901	8,820	81,796
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥ (14,291)	¥ (15,348)	\$ (131,322)
Intangible assets	(1,556)	–	(14,306)
Depreciation	(1,546)	(998)	(14,211)
Gain on valuation of investment securities	(1,288)	(1,268)	(11,836)
Foreign subsidiary's unitary tax	(1,269)	(675)	(11,663)
Gain on transfer of receivables	(897)	(541)	(8,245)
Other	(995)	(634)	(9,145)
Total deferred tax liabilities	(21,845)	(19,467)	(200,728)
Net deferred tax liabilities	¥ (12,943)	¥ (10,646)	\$ (118,932)

Notes: 1. Information on breakdown of valuation allowance

As of March 31, 2020

The amount of valuation allowance increased by ¥69 million (U.S.\$635 thousand) from the previous fiscal year. This increase was mainly due to a decrease of ¥5 million (U.S.\$53 thousand) in valuation allowance for tax loss carried forward at consolidated subsidiaries, a decrease of ¥6 million (U.S.\$57 thousand) in valuation allowance for allowance for doubtful accounts, and the recognition of ¥79 million (U.S.\$734 thousand) in valuation allowance for business assets.

As of March 31, 2019

The amount of valuation allowance decreased by ¥420 million from the previous fiscal year. This

decrease was mainly due to the fact that consolidated subsidiaries no longer recognized a valuation allowance of ¥421 million for tax loss carried forward recorded in the previous fiscal year.

2. Tax loss carried forward and respective deferred tax assets will expire as follows:

As of March 31, 2020

	Millions of yen						
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (*1)	¥ 46	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 46
Valuation allowance	(0)	–	–	–	–	–	(0)
Deferred tax assets	46	–	–	–	–	–	(*2) 46

	Thousands of U.S. dollars						
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (*1)	\$ 431	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 431
Valuation allowance	(8)	–	–	–	–	–	(8)
Deferred tax assets	423	–	–	–	–	–	(*2) 423

*1. Tax loss carried forward is measured using the statutory effective tax rate.

*2. With respect to the tax loss carried forward of ¥46 million (U.S.\$431 thousand) (amount measured using the statutory effective tax rate), the Company records deferred tax assets of ¥46 million (U.S.\$423 thousand). The deferred tax assets of ¥46 million (U.S.\$423 thousand) represent deferred tax assets carried forward associated with the tax loss carried forward at a consolidated subsidiary. The Company recognizes no valuation allowance for this tax loss carried forward since it is recoverable due to sufficient taxable income expected for the next fiscal year.

As of March 31, 2019

	Millions of yen						
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (*1)	¥ 1,478	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 1,478
Valuation allowance	(6)	–	–	–	–	–	(6)
Deferred tax assets	1,471	–	–	–	–	–	(*2) 1,471

*1. Tax loss carried forward is measured using the statutory effective tax rate.

*2. With respect to the tax loss carried forward of ¥1,478 million (amount measured using the statutory effective tax rate), the Company records deferred tax assets of ¥1,471 million. The deferred tax assets of ¥1,471 million represent deferred tax assets carried forward associated with the tax loss carried forward at a consolidated subsidiary. The Company recognizes no valuation allowance for

this tax loss carried forward since it is recoverable due to sufficient taxable income expected for the next fiscal year.

2. The respective breakdowns of major items that constituted the material difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting

As of March 31, 2020

The note is omitted, because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.

As of March 31, 2019

The note is omitted, because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.

XVII. Business combinations, etc.

Business combinations through acquisition

1. Overview of the business combinations

(1) Names of acquired companies and its business descriptions

- 1) Name of acquired company: LN Holdings, Co., Ltd.
Business description: Acquisition, holding, and disposal of shares, capital contributions, other equity interests, and bonds of a stock company or any other juridical person; sale and purchase of beneficial interest in trust; purchase business of monetary receivables; real estate investment; and investment and management in securities
- 2) Name of acquired company: NOC Outsourcing & Consulting Inc. (a subsidiary of LN Holdings, Co., Ltd.)
Business description: Comprehensive outsourcing business and IT outsourcing business
- 3) Name of acquired company: NOC Techno-Solutions Inc. (a subsidiary of NOC Outsourcing & Consulting Inc.)
Business description: IT outsourcing business
- 4) Name of acquired company: NOC Biz Partners Inc. (a subsidiary of NOC Outsourcing & Consulting Inc.)
Business description: Operations in general affairs, accounting, human resources, and backyard business

(2) Reasons for the business combinations

The above four companies that have recently become consolidated subsidiaries (hereinafter referred to as the “NOC Group”) provide a wide range of business outsourcing services, including back-office services (accounting, personnel and salaries, general affairs, sales administration), IT services, in-house shared center services, secretariat management agency services, and human resources services, as a total outsourcer aiming to become the “No. 1 outsourcer in problem solving.” The NOC Group provides high-quality outsourcing services to customers in a wide range of industries and businesses by organizing teams that organically combine the value-providing functions, business knowhow, and specialist human resources that the NOC Group has cultivated over many years.

In addition, by strengthening our consulting functions, the NOC Group is working to streamline and visualize the operations of client companies and propose business improvement measures. In addition to providing outsourcing services, the NOC Group is also actively developing support services for the introduction of robotic process automation (RPA) as the optimal solution.

By adding the above functions to the Company’s Business Process Outsourcing (BPO) Domain, it will establish a system capable of responding to a wide range of business efficiency needs of our business partners. At the same time, the Company will be able to leverage its respective strengths more effectively through the synergistic effect of mutual cooperation with existing BPO resources. By combining the Group’s original financial solution functions with the above, the Company believes that this will lead to the creation of a more multi-layered business relationship.

The Company also plans to utilize the advanced consulting capabilities of the NOC Group to improve the working environment through optimal allocation of work, including the standardization of the Group’s own clerical work.

- (3) Date of the business combinations
August 15, 2019
- (4) Legal form of the business combinations
Acquisition of shares by cash
- (5) Name of the companies after the business combination
No change
- (6) Ratio of voting rights acquired
- 1) LN Holdings, Co., Ltd.

Ratio of voting rights held before the business combination date:	-%
Ratio of voting rights acquired on the business combination date:	100.00%
Ratio of voting rights held after the acquisition:	100.00%

 - 2) NOC Outsourcing & Consulting Inc.

Ratio of voting rights held before the business combination date:	-%
Ratio of voting rights acquired on the business combination date:	100.00% (including indirect ownership of 100.00%)
Ratio of voting rights held after the acquisition:	100.00% (including indirect ownership of 100.00%)

 - 3) NOC Techno-Solutions Inc.

Ratio of voting rights held before the business combination date:	-%
Ratio of voting rights acquired on the business combination date:	100.00% (including indirect ownership of 100.00%)
Ratio of voting rights held after the acquisition:	100.00% (including indirect ownership of 100.00%)

 - 4) NOC Biz Partners Inc.

Ratio of voting rights held before the business combination date:	-%
Ratio of voting rights acquired on the business combination date:	100.00% (including indirect ownership of 100.00%)
Ratio of voting rights held after the acquisition:	100.00% (including indirect ownership of 100.00%)
- (7) Primary basis for the determination of the acquirer
It is because the Company acquired 100.00% of the issued shares of LN Holdings, Co., Ltd.

2. Period for which operating results of the acquired companies were included in the consolidated financial statements

From October 1, 2019 to March 31, 2020

3. Acquisition cost of the acquired companies and breakdown by type of consideration

Acquisition price	Cash and deposits	¥8,304 million	U.S.\$76,303 thousand
<hr/>			
Acquisition cost		¥8,304 million	U.S.\$76,303 thousand

4. Details and amounts of main acquisition-related expenses

Fees to advisors, etc.: ¥170 million (U.S.\$1,569 thousand)

5. Amount, cause, amortization method and period of goodwill recognized

- (1) Amount of goodwill recognized

¥6,946 million (U.S.\$63,825 thousand)

- (2) Cause of goodwill

Goodwill was recognized due to the future excess earning power expected based on business expansion going forward.

- (3) Amortization method and period

Straight-line method over a period of 20 years

6. Amount of assets received and liabilities assumed on the date of the business combination and their major components

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 3,139	\$ 28,843
Non-current assets	3,213	29,530
Total assets	<hr/> 6,352	<hr/> 58,374
Current liabilities	1,698	15,610
Non-current liabilities	2,116	19,445
Total liabilities	<hr/> ¥ 3,815	<hr/> \$ 35,055

7. Estimated amount of impact on the consolidated statement of income for the fiscal year under review assuming that the business combination was completed on the start date of the fiscal year under review, and the measurement

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 4,896	\$ 44,993
Operating profit	284	2,611
Ordinary profit	<hr/> 275	<hr/> 2,527
Profit before income taxes	275	2,527
Profit attributable to owners of parent	161	1,484
Basic earnings per share	<hr/> 5.38 Yen	<hr/> 0.05 U.S. dollars

Calculating method of the estimated amount

The estimated amount of impact is the difference between net sales and profit or loss calculated on the assumption that the business combinations were completed on the start date of the fiscal year under review and net sales and the profit or loss on the consolidated statements of income of the acquirer.

The information mentioned above has not been audited.

Finalization of the provisional accounting treatment for the business combinations

The business combinations with Kabushiki Kaisha GI Holdings and INVOICE Inc. that were concluded on October 31, 2018, were accounted for on a provisional basis in the fiscal year ended March 31, 2019, but the acquisition cost allocation was finalized in the fiscal year ended March 31, 2020.

With the finalization of this provisional accounting treatment, the amount of the initial allocation of acquisition cost was revised.

As a result, “other” in intangible assets mainly increased, and the provisionally calculated amount of goodwill of ¥11,970 million (U.S.\$109,991 thousand) decreased by ¥1,591 million (U.S.\$14,621 thousand) to ¥10,379 million (U.S.\$95,370 thousand) due to the finalization of the accounting treatment.

XVIII. Asset retirement obligations

This information has been omitted because of immateriality.

XIX. Real estate leasing business

The Company and some of its consolidated subsidiaries own assets such as commercial facilities for lease and office buildings (including land) for lease in Tokyo and other regions. Net lease income from these assets amounted to ¥5,814 million (U.S.\$53,426 thousand) and ¥5,170 million (lease income and lease cost were generally recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2020 and 2019, respectively.

The book value on the consolidated balance sheets, net changes, and fair value of these assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Book value			
Beginning of year	¥ 231,132	¥ 176,765	\$ 2,123,798
Net change	15,711	54,367	144,372
End of year	246,844	231,132	2,268,170
Fair value at end of year	¥ 262,319	¥ 245,287	\$ 2,410,359

- Notes:
1. The book value on the consolidated balance sheet is the amount after deduction of accumulated depreciation from acquisition cost.
 2. The increase of book value is mainly attributable to the purchase of real estate of ¥133,872 million (U.S.\$1,230,102 thousand) and ¥75,028 million, in the fiscal years ended March 31, 2020 and 2019, respectively.
 3. The fair value of properties is mainly estimated based on income approach in accordance with Real Estate Appraisal standards as of March 31, 2020. For other properties, the Company reasonably estimated the fair value based on income approach or market approach while the Company used their book value as the fair value for certain properties.

XX. Segment information, etc.

Segment information

1. Description of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available. These segments are subject to periodic examinations undertaken to enable the Board of Directors of the Group to make decisions on allocating resources and to evaluate performance.

The Group is primarily engaged in leasing and installment sales, and its operations are divided into three reportable segments based on the major types of transactions handled, namely the Lease and Installment Sales segment, the Financing segment, and the Other segment.

The Lease and Installment Sales segment conducts businesses including leasing of IT and office equipment, industrial machinery, and other assets (includes the sale, etc. of off-lease assets upon lease expiration or termination) and leasing of real estate, and sells commercial/service equipment, production facilities, medical devices, and other assets on an installment basis. The Financing segment is mainly engaged in operating loans, investment in marketable securities for financial income, forming *tokumei-kumiai* (silent partnership) arrangements, etc. The Other segment primarily engages in environmental and energy-related businesses, fee handling, BPO services (new business fields), etc.

2. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reportable segment

Measurements used in accounting for reportable segment are the same as those disclosed in "Basis of presentation." Profit of reportable segment is based on operating profit. Transactions with other segments are based on prevailing market prices.

The segment information for the fiscal year ended March 31, 2019 is presented using figures that reflect material changes to the initial allocation of acquisition costs, which arose as a result of the finalization of the provisional accounting treatment of business combinations.

3. Disclosure of sales, profit (loss), asset, liability, and other items for each reportable segment

FY2019 (From April 1, 2019 to March 31, 2020)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 528,853	¥ 15,979	¥ 167,497	¥ 712,330
Transactions with other segments	1,026	3,708	1,078	5,813
Net sales	529,880	19,688	168,575	718,143
Segment profit	¥ 33,134	¥ 11,330	¥ 9,254	¥ 53,719
Segment assets	¥ 1,704,786	¥ 804,101	¥ 128,744	¥ 2,637,632
Other items				
Depreciation	33,694	—	2,397	36,091
Amortization of goodwill	—	324	807	1,132
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	¥ 178,524	¥ —	¥ 12,424	¥ 190,948

	Thousands of U.S. dollars			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	\$ 4,859,448	\$ 146,828	\$ 1,539,074	\$ 6,545,349
Transactions with other segments	9,433	34,079	9,907	53,419
Net sales	4,868,881	180,907	1,548,981	6,598,768
Segment profit	\$ 304,464	\$ 104,108	\$ 85,037	\$ 493,609
Segment assets	\$ 15,664,673	\$ 7,388,600	\$ 1,182,986	\$ 24,236,259
Other items				
Depreciation	309,603	–	22,028	331,631
Amortization of goodwill	–	2,981	7,423	10,404
Investments in entities accounted for using equity method	–	–	–	–
Increase in property, plant and equipment and intangible assets	\$ 1,640,398	\$ –	\$ 114,160	\$ 1,754,558

FY2018 (From April 1, 2018 to March 31, 2019)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 517,726	¥ 14,980	¥ 85,412	¥ 618,119
Transactions with other segments	1,017	3,103	1,051	5,172
Net sales	518,743	18,084	86,464	623,292
Segment profit	¥ 29,892	¥ 10,308	¥ 7,299	¥ 47,501
Segment assets	¥ 1,676,976	¥ 730,907	¥ 101,670	¥ 2,509,555
Other items				
Depreciation	30,066	–	1,777	31,844
Amortization of goodwill	–	324	443	768
Investments in entities accounted for using equity method	–	–	–	–
Increase in property, plant and equipment and intangible assets	¥ 156,941	¥ –	¥ 12,488	¥ 169,429

4. Description of nature of differences between amounts of reportable segments total and consolidated financial statements

Net sales	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	¥ 718,143	¥ 623,292	\$ 6,598,768
Eliminations	(5,813)	(5,172)	(53,419)
Net sales reported on the consolidated statements of income	¥ 712,330	¥ 618,119	\$ 6,545,349

Profit	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	¥ 53,719	¥ 47,501	\$ 493,609
Eliminations	(2,486)	(2,028)	(22,851)
Corporate expenses (Note)	(9,808)	(9,792)	(90,130)
Operating profit reported on the consolidated statements of income	¥ 41,423	¥ 35,680	\$ 380,628

Note: Corporate expenses are mainly selling, general and administrative expenses that are not attributable to any reportable segment.

Assets	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	¥ 2,637,632	¥ 2,509,555	\$ 24,236,259
Corporate assets (Note)	114,966	83,426	1,056,383
Total assets reported on the consolidated balance sheets	¥ 2,752,598	¥ 2,592,981	\$ 25,292,642

Note: Corporate assets include surplus funds (cash and deposits, etc.), long-term investment funds (investment securities) and assets related to administrative divisions that are not attributable to any reportable segment.

Depreciation	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	¥ 36,091	¥ 31,844	\$ 331,631
Adjustment	1,768	1,570	16,249
Amounts reported on the consolidated financial statements	¥ 37,859	¥ 33,414	\$ 347,881

Note: Depreciation adjustments mainly represent depreciation on own-used assets.

Amortization of goodwill	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	¥ 1,132	¥ 768	\$ 10,404
Adjustment	–	–	–
Amounts reported on the consolidated financial statements	¥ 1,132	¥ 768	\$ 10,404

Investments in entities accounted for using equity method	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	¥ –	¥ –	\$ –
Adjustment	23,657	23,423	217,378
Amounts reported on the consolidated financial statements	¥ 23,657	¥ 23,423	\$ 217,378

Note: Adjustments for investments in entities accounted for using equity method mainly represent the amount of funds invested in entities accounted for using equity method.

Increase in property, plant and equipment and intangible assets	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	¥ 190,948	¥ 169,429	\$ 1,754,558
Adjustment	1,690	1,275	15,529
Amounts reported on the consolidated financial statements	¥ 192,638	¥ 170,705	\$ 1,770,087

Note: Adjustments on increase in property, plant and equipment and intangible assets mainly represent capital investment in own-used assets.

Information associated with reportable segments

1. Information for each product or service

FY2019 (From April 1, 2019 to March 31, 2020)

This information is omitted as it is identical to that in segment information.

FY2018 (From April 1, 2018 to March 31, 2019)

This information is omitted as it is identical to that in segment information.

2. Information for each region

FY2019 (From April 1, 2019 to March 31, 2020)

(1) Revenues from external customers

It is omitted since revenues from external customers in Japan exceeds 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Millions of yen

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
¥ 407,674	¥ 9,384	¥ 130,213	¥ 3	¥ 5,835	¥ 553,111

Thousands of U.S. dollars

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
\$ 3,745,976	\$ 86,232	\$ 1,196,489	\$ 31	\$ 53,621	\$ 5,082,349

- Notes:
- The figures shown are presented according to the respective countries and regions of the Company and its consolidated subsidiaries.
 - The following geographic categories primarily include the respective countries and regions shown below.
 - North America and Latin America: United States
 - Europe: United Kingdom, Ireland
 - Asia: China, Singapore, Malaysia, Thailand

FY2018 (From April 1, 2018 to March 31, 2019)

(1) Revenues from external customers

It is omitted since revenues from external customers in Japan exceeds 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Millions of yen

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
¥ 380,700	¥ 9,917	¥ 129,644	¥ 1	¥ 5,794	¥ 526,059

- Notes:
- The figures shown are presented according to the respective countries and regions of the Company and its consolidated subsidiaries.

2. The following geographic categories primarily include the respective countries and regions shown below.

North America and Latin America: United States

Europe: United Kingdom, Ireland

Asia: China, Malaysia, Thailand

3. Information for each of main customers

FY2019 (From April 1, 2019 to March 31, 2020)

It is omitted since among the revenues from external customers, there are no specific customers accounting for 10% or more of net sales on the consolidated statement of income.

FY2018 (From April 1, 2018 to March 31, 2019)

It is omitted since among the revenues from external customers, there are no specific customers accounting for 10% or more of net sales on the consolidated statement of income.

Disclosure of Impairment losses on non-current assets for each reportable segment

FY2019 (From April 1, 2019 to March 31, 2020)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ –	¥ –	¥ 1	¥ 1,281	¥ 1,283

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	\$ –	\$ –	\$ 12	\$ 11,779	\$ 11,792

Note: The amount in “Corporate/Elimination” is the impairment losses relating to corporate assets that are not attributable to any particular segment.

FY2018 (From April 1, 2018 to March 31, 2019)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ –	¥ –	¥ 22	¥ –	¥ 22

Amortization and unamortized balance of goodwill for each reportable segment

FY2019 (From April 1, 2019 to March 31, 2020)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ –	¥ 5,433	¥ 16,315	¥ –	¥ 21,749

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	\$ –	\$ 49,929	\$ 149,916	\$ –	\$ 199,845

Note: The information about amortization of goodwill is omitted as it is identical to that in segment information.

FY2018 (From April 1, 2018 to March 31, 2019)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ –	¥ 5,758	¥ 10,177	¥ –	¥ 15,935

Notes: 1. The information about amortization of goodwill is omitted as it is identical to that in segment information.

2. The amount of “Other” is the amount which reflects the material changes to the initially allocated acquisition costs that were carried out due to the finalization of the provisional accounting treatment for business combinations.

Information about gain on bargain purchase for each reportable segment

FY2019 (From April 1, 2019 to March 31, 2020)

Not applicable

FY2018 (From April 1, 2018 to March 31, 2019)

Not applicable

XXI. Related parties

1. Related party transactions

(1) Transactions of the company reporting the consolidated financial statements with related parties

Parent company of the company reporting the consolidated financial statements and major shareholders (limited to companies, etc.), etc.

FY2019 (From April 1, 2019 to March 31, 2020)

Type	Name	Location	Capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718	Real estate leasing business	Direct (Holdings) 6.0 Direct (Held) 14.0	Lease transactions Purchase of operating assets	Lease payments received	¥4,818	Lease receivables and investments in leases	¥60,322
							Purchase of operating assets	¥29,032		

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Thousands of U.S. dollars)	Account title	Year-end balance (Thousands of U.S. dollars)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	\$576,293	Real estate leasing business	Direct (Holdings) 6.0 Direct (Held) 14.0	Lease transactions Purchase of operating assets	Lease payments received	\$44,275	Lease receivables and investments in leases	\$554,283
							Purchase of operating assets	\$266,774		

Notes: 1. The above amounts do not include consumption taxes.

2. The purchase of operating assets is determined based on the actual market price. The transaction amount records the total transaction amount that occurred in the fiscal year ended March 31, 2020.

FY2018 (From April 1, 2018 to March 31, 2019)

Type	Name	Location	Capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718	Real estate leasing business	Direct (Holdings) 6.1 Direct (Held) 13.9	Lease transactions Purchase of operating assets	Lease payments received	¥4,572	Lease receivables and investments in leases	¥60,361
							Sale of leased properties	¥34,081		
							Purchase of operating assets	¥24,402		

Notes: 1. The above amounts do not include consumption taxes.

2. The purchase of operating assets is determined based on the actual market price. The transaction amount records the total transaction amount that occurred in the fiscal year ended March 31, 2019.

(2) Transactions of consolidated subsidiaries of the company reporting the consolidated financial statements with related parties

Parent company of the company reporting the consolidated financial statements and major shareholders (limited to companies, etc.), etc.

FY2019 (From April 1, 2019 to March 31, 2020)

Not applicable

FY2018 (From April 1, 2018 to March 31, 2019)

Not applicable

2. Notes to parent company and significant associates

(1) Parent company's information

There is no parent company.

(2) Summary financial information for significant associates

There are no significant associates.

XXII. Information on special purpose entities

1. Overview of special purpose entities subject to disclosure and of transactions using special purpose entities subject to disclosure

For the diversification of funding sources and stable financing, the Company promotes securitization of lease receivables, etc. The Company use stock companies as special purpose entities.

When performing the securitization, the Company transfers the lease receivables, etc. to special purpose entities and receives the funds as proceeds from the transfer of the assets to the special purpose entity through a loan, etc.

As a result of the securitization, the Company has transactions outstanding with the following special purpose entities. The Company owns shares, etc. with voting rights of the special purpose entities and the employees of the Company concurrently are assigned as corporate officer positions by the entities.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Number of special purpose entities	Two companies	One company	Two companies
Total value of assets as of the latest balance sheet date (without elimination of inter-company transactions)	¥ 4,540	¥ 1,135	\$ 41,720
Total value of liabilities as of the latest balance sheet date (without elimination of inter-company transactions)	4,535	1,132	41,671

2. Amount of transactions, etc. with special purpose entities subject to disclosure

FY2019 (From April 1, 2019 to March 31, 2020)

	Amount of major transactions or the balance as of the end of the fiscal year (Millions of yen)	Major gain or loss	
		Item	Amount (Millions of yen)
Transferred assets (Note 1)			
Lease receivables and investments in leases	¥ 2,531	Gain on transfer (Note 2)	¥ 109
Installment receivables	733		

	Amount of major transactions or the balance as of the end of the fiscal year (Thousands of U.S. dollars)	Major gain or loss	
		Item	Amount (Thousands of U.S. dollars)
Transferred assets (Note 1)			
Lease receivables and investments in leases	\$ 23,263	Gain on transfer (Note 2)	\$ 1,005
Installment receivables	6,739		

Notes: 1. The amount of transactions related to transferred assets is the book value as of the time of transfer.

2. Gain on transfer related to transferred assets is presented in net sales.

FY2018 (From April 1, 2018 to March 31, 2019)

	Amount of major transactions or the balance as of the end of the fiscal year (Millions of yen)	Major gain or loss	
		Item	Amount (Millions of yen)
Transferred assets (Note 1)			
Lease receivables and investments in leases	¥ 597	Gain on transfer (Note 2)	¥ 33
Installment receivables	500		

Notes: 1. The amount of transactions related to transferred assets is the book value as of the time of transfer.

2. Gain on transfer related to transferred assets is presented in net sales.

XXIII. Per share information

	Yen		U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Net assets per share	¥ 9,204.20	¥ 8,680.32	\$ 84.57
Basic earnings per share	871.95	844.69	8.01
Diluted earnings per share	865.56	837.77	7.95

- Notes:
1. Treasury shares are deducted when calculating the number of common shares as of the fiscal year-end, used in the computation of the net assets per share and includes the Company's shares owned by the Board Benefit Trust (BBT). The number of treasury shares owned by the Board Benefit Trust (BBT) as of the fiscal year-end is 102,500 shares for the fiscal year ended March 31, 2020 and 104,600 shares for the fiscal year ended March 31, 2019.
 2. Treasury shares are deducted when calculating the average number of shares during the period, used in the computation of the basic earnings per share and includes the Company's shares owned by the Board Benefit Trust (BBT). The average number of treasury shares owned by the Board Benefit Trust (BBT) during the period is 102,618 shares for the fiscal year ended March 31, 2020 and 100,198 shares for the fiscal year ended March 31, 2019.
 3. Net assets per share, basic earnings per share and diluted earnings per share for the fiscal year ended March 31, 2019 are calculated using the amounts which reflect the material changes to the initially allocated acquisition costs that were carried out due to the finalization of the provisional accounting treatment for business combinations.
 4. Calculation basis of net assets per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Total net assets	¥ 311,819	¥ 295,039	\$ 2,865,197
Amounts excluded from total net assets	35,950	33,368	330,335
Of which, share acquisition rights	764	842	7,022
Of which, non-controlling interests	35,186	32,525	323,313
Net assets attributable to common shares	275,869	261,671	2,534,862
Number of common shares as of the fiscal year-end used in the calculation of net assets per share (thousands shares)	29,972	30,145	29,972

5. Calculation basis of basic earnings per share and diluted earnings per share is as follows

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 - March 31, 2020)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Basic earnings per share			
Profit attributable to owners of parent	¥ 26,187	¥ 25,515	\$ 240,625
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	26,187	25,515	240,625
Average number of shares during the period (thousands shares)	30,033	30,206	30,033
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ —	¥ —	\$ —
Increase in the number of common shares (thousands shares)	221	249	221
Residual securities that are not dilutive and not included in the calculation of diluted earnings per share	—	—	—

XXIV. Subsequent events

Business combination through acquisition of shares

The Company resolved at a Board of Directors meeting held on January 30, 2020 to acquire 60% of the issued common shares of YAMATO LEASE CO., LTD. (President and Chief Executive Officer: Naomi Ogata; hereinafter “YL”), a wholly owned subsidiary of Yamato Holdings Co., Ltd. (Head office: Chuo-ku, Tokyo; Representative Director, Executive Officer and President: Yutaka Nagao; hereinafter “YHD”), and to collaborate on businesses with YHD. The Company concluded a share transfer agreement with YHD and acquired the shares on April 1, 2020. Following the acquisition, YL became a consolidated subsidiary of the Company.

1. Overview of the business combination

(1) Name of acquired company and its business description

Name of acquired company: YAMATO LEASE CO., LTD.

Business description: Leasing business, primarily focused on trucks, vehicle distribution support business, others (business succession support business, etc.)

(2) Reasons for the business combination

By combining the business bases, expertise, etc., of the Fuyo Lease Group and the Yamato Group, collaborating on businesses with YHD will enable both companies to strengthen YL’s competitive advantage and expand its business domains with a view to further expanding its business. Both companies have also agreed in addition to collaborating on businesses with YHD to begin discussions on producing business synergies by providing and utilizing each other’s management resources and strengths, and on the potential for further business alliance.

The Company and YHD recognize that cross-industry partnerships are set to become increasingly important for realizing the sustainable growth of companies by solving issues in the logistics industry. Based on this, both companies have promoted discussion and examination on YL’s growth strategies and a business alliance. As a result, both companies have agreed to collaborate on businesses with potential for powerful alliance effects, combining YHD’s business base with Fuyo Lease Group’s diverse solutions and expertise in financial risk management functions to increase the sophistication of its solutions and expand its service lineup with a view to expanding its business domains and increasing its corporate value. Looking ahead, both companies aim to expand YL’s business by having YL provide diverse transport business providers with Fuyo Lease Group’s services and expertise, including increasing the sophistication of financial services, strengthening the vehicle management and maintenance systems, managing logistics facility assets, and BPO (Business Process Outsourcing: services to efficiently carry out a business’s administrative work, etc.) that realizes industry workstyle reforms. In doing so, they will expand YL’s business and contribute to productivity improvements and sustainable growth for the entire logistics industry.

(3) Date of the business combination

April 1, 2020

(4) Legal form of the business combination

Acquisition of shares by cash

(5) Name of the company after the combination

No change

(6) Ratio of voting rights acquired

Ratio of voting rights held before the business combination date:	-%
Ratio of voting rights acquired on the business combination date:	60.00%
Ratio of voting rights held after the acquisition:	60.00%

(7) Primary basis for the determination of the acquirer

It is because the Company acquired 60.00% of the issued shares of YAMATO LEASE CO., LTD.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Acquisition price	Cash and deposits	¥3,300 million	U.S.\$30,323 thousand
<hr/>			
Acquisition cost		¥3,300 million	U.S.\$30,323 thousand

3. Details and amounts of main acquisition-related expenses

Not yet determined.

4. Amount, cause, amortization method and period of goodwill recognized

Not yet determined.

5. Amounts of assets received and liabilities assumed on the date of the business combination and their major components

Not yet determined.

Corporate bond issuance

The Company issued straight bonds as follows:

- (1) Issue name: Fuyo General Lease Co., Ltd., No. 24 unsecured straight bond
- (2) Issuance amount: ¥ 20,000 million (U.S.\$183,773 thousand)
- (3) Issuance date: June 17, 2020
- (4) Issue price: ¥100 per ¥100 of face value
- (5) Coupon rate: 0.250% per year
- (6) Redemption date: June 17, 2025
- (7) Use of proceeds: To fund capital investments