

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. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, 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, 2022, 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.

Key Audit Matters

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

Estimate of residual value of real estate under operating lease transactions	
Description of Key Audit Matter	Auditor's Response
<p>The Group is engaged in leasing, installment sales, commercial loan origination, and other financial services. The Group recorded assets for lease of ¥671,643 million in property, plant and equipment, at cost less accumulated depreciation on the consolidated balance sheets for the fiscal year ended March 31, 2022. Real estate lease assets with a carrying amount of ¥397,170 million were recognized as described in Note XX, "Real estate leasing business," to the consolidated financial statements.</p> <p>As described in Note I, "Basis of presentation 4. Summary of significant accounting policies (2) Depreciation and amortization," assets leased under operating lease transactions are depreciated to their residual value using the straight-line method over the lease term and the depreciation cost is included in the cost of sales. The residual value at the end of the lease term is estimated at the inception of the lease and is revised, as deemed necessary, during the lease term. If a loss on disposal of the leased assets is expected, the corresponding amount is recorded under cost of sales.</p> <p>As described in Note II, "Significant accounting estimates," the Group estimates the residual value using future cash flows and discount rates, and the significant assumption for estimating the residual value is future cash flows. The future cash flows of real estate lease transactions are estimated based on considerations such as terms of contracts, rents, and occupancy rates. However, these transactions are highly individual in nature and the estimation of the residual value requires complex judgment, and specialized knowledge and experience. In addition, since the value of real estate lease transactions is significant and operating lease transactions are not full payout, an inaccurate estimation of the residual value can have a considerable impact on profit or loss calculations.</p> <p>Based on the above, we have determined the estimation of the residual value of real estate under operating lease transactions to be a key audit matter.</p>	<p>We performed the following audit procedures, among others, to evaluate the key assumptions such as future cash flows and other inputs required to estimate the residual value of real estate under operating lease transactions by selecting a sample of transactions based on quantitative significance, remaining years of the lease term, and the type of lease payments:</p> <ul style="list-style-type: none"> Audit procedures performed for lease contracts that commenced in the current year. <p>In order to evaluate the inputs such as rents and the occupancy rates of the properties, which form the basis for calculating future cash flows used by the Group in estimating the residual value, we inspected external evidence, including real estate valuation reports, by involving the real estate valuation experts from our network firm. We also recalculated the residual value to evaluate the Group's estimation process.</p> <ul style="list-style-type: none"> Audit procedures performed for lease contracts that commenced in previous years. <p>In order to evaluate the Group's estimate of the residual value, we compared actual rents and occupancy rates with the original estimates to analyze the cause of differences.</p> <ul style="list-style-type: none"> Audit procedures performed for lease contracts terminated during the current year. <p>In order to evaluate the effectiveness of the Group's estimation process, we reconciled actual sale prices with the sale agreements and compared these prices with the estimated residual values.</p>

Determination of indicators of impairment of goodwill	
Description of Key Audit Matter	Auditor's Response
<p>The Group acquires businesses with the aim of further expanding and growing its business and recorded goodwill of ¥21,234 million on the consolidated balance sheets for the fiscal year ended March 31, 2022, which consists of goodwill related to the acquisition of Accretive Co., Ltd., G.I Holdings Inc., LN Holdings, Co., Ltd., Yamato Lease Co., Ltd., and Work Vision Co., Ltd.</p> <p>As described in Note I, "Basis of presentation 4. Summary of significant accounting policies (9) Amortization method and period of goodwill," the Group estimates the useful life of goodwill and amortizes it on a straight-line basis over this period. However, if there are any significant changes having an adverse effect on the entity, including the impact of the COVID-19 pandemic, and the recoverable amount of goodwill is assumed to decrease, the Group determines that there is an indication that goodwill may be impaired. If the total amount of expected future cash flows is less than the carrying amount of the CGU, an impairment loss on goodwill must be recognized.</p> <p>The Group determines whether there are any indicators of impairment, for example, by comparing the initial business plan at the time of acquisition of each subsidiary with actual results, analyzing factors related to the differences between them, and considering the impact on future performance based on these factors. This involves significant management judgment on the current and future business environment. In addition, with the increase in goodwill due to multiple acquisitions in the past several years, the significance of management judgment related to the indicators of impairment of goodwill has also increased.</p> <p>Based on the above, we have determined the determinations regarding indicators of impairment of goodwill to be a key audit matter.</p>	<p>We performed the following audit procedures, among others, to evaluate the Group's determinations regarding indicators of impairment of goodwill.</p> <ul style="list-style-type: none"> • In order to assess the possibility of significant deterioration in operating results of the CGU to which goodwill belongs, we performed a comparative analysis between the initial business plan at the time of acquisition of each subsidiary with the actual financial results through the end of the current fiscal year and a variance analysis on the differences identified between the business plan figures and actual results. • The Group assessed the possibility of significant deterioration in operating results of the CGU to which the goodwill belongs taking into consideration the impact of the COVID-19 pandemic on economic activities. In order to evaluate the Group's assessments, we made inquiries of the responsible department about the basis for estimates of revenue growth rates and so forth of each subsidiary, performed trend analysis, and compared the revenue growth rates of each subsidiary with external data, such as growth rates of the industry to which each subsidiary belongs. • In order to evaluate the Group's determination of whether any changes have occurred or are expected to occur, which significantly reduce recoverable amounts for business activities that include goodwill, we made inquiries of management and inspected related materials to consider the consistency between the initial business plan of each subsidiary, the business policy of the Group for the current and following fiscal years, and the Group's Medium-Term business plan.

Other Information

Other information comprises information included in a disclosure document that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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 consolidated 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.

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

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, 2022 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

August 10, 2022

/s/ Yuji Ozawa
Designated Engagement Partner
Certified Public Accountant

/s/ Toru Nakagiri
Designated Engagement Partner
Certified Public Accountant

Consolidated financial statements

Consolidated balance sheets

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Assets				
Current assets				
Cash and deposits	3	¥ 72,157	¥ 98,926	\$ 589,476
Installment receivables	3	66,877	84,545	546,341
Lease receivables and investments in leases	3	1,019,764	1,080,797	8,330,725
Operating loans		316,633	306,635	2,586,665
Accounts receivable - other loans to customers	3, 7	114,443	117,660	934,917
Operational investment securities	2	323,021	283,209	2,638,852
Other operating assets		23,344	19,011	190,706
Accounts receivable - lease	3	24,807	29,604	202,657
Other		66,556	91,294	543,721
Allowance for doubtful accounts		(2,717)	(3,047)	(22,203)
Total current assets		2,024,888	2,108,637	16,541,857
Non-current assets				
Property, plant and equipment				
Assets for lease				
Assets for lease	1, 3, 7	671,643	632,299	5,486,832
Advances for purchase of assets for lease		15,111	8,140	123,452
Total assets for lease		686,754	640,440	5,610,284
Other operating assets	1, 3	31,801	33,276	259,799
Construction in progress		4,673	–	38,177
Own-used assets	1	3,754	3,662	30,674
Total property, plant and equipment		726,984	677,379	5,938,934
Intangible assets				
Assets for lease		195	240	1,595
Other intangible assets				
Goodwill		21,234	20,718	173,472
Other		9,367	7,741	76,527
Total other intangible assets		30,602	28,459	249,999
Total intangible assets		30,797	28,699	251,594
Investments and other assets				
Investment securities	2, 3	120,259	112,838	982,432
Distressed receivables		539	558	4,410
Retirement benefit asset		88	64	720
Deferred tax assets		2,976	2,620	24,319
Other		42,554	47,450	347,636
Allowance for doubtful accounts		(331)	(287)	(2,706)
Total investments and other assets		166,087	163,244	1,356,811
Total non-current assets		923,869	869,323	7,547,339
Deferred assets				
Organization expenses		1	1	10
Business commencement expenses		944	1,322	7,717
Total deferred assets		945	1,323	7,727
Total assets		¥ 2,949,704	¥ 2,979,285	\$ 24,096,923

The accompanying notes are an integral part of these statements.

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Liabilities				
Current liabilities				
Notes and accounts payable - trade		¥ 35,441	¥ 33,027	\$ 289,529
Short-term borrowings		568,563	564,585	4,644,751
Current portion of bonds payable		30,000	30,000	245,078
Current portion of long-term borrowings	3, 7	328,958	308,274	2,687,350
Commercial papers		371,000	470,200	3,030,798
Payables under securitization of lease receivables	8	29,400	30,100	240,176
Current portion of long-term payables under securitization of lease receivables	3, 8	16,508	32,117	134,866
Lease liabilities		10,827	14,977	88,451
Income taxes payable		8,145	9,974	66,546
Deferred profit on installment sales		810	1,046	6,619
Provision for bonuses		2,811	2,265	22,970
Provision for bonuses for directors (and other officers)		200	180	1,636
Provision for share awards for directors (and other officers)		205	49	1,680
Provision for future lease payments		3	3	28
Provision for loss on guarantees		31	39	254
Asset retirement obligations		1	90	8
Other	3	48,564	41,157	396,734
Total current liabilities		1,451,473	1,538,089	11,857,476
Non-current liabilities				
Bonds payable		227,137	191,072	1,855,546
Long-term borrowings	3, 7	779,458	766,003	6,367,603
Long-term payables under securitization of lease receivables	3, 8	15,197	38,640	124,153
Lease liabilities		530	755	4,332
Deferred tax liabilities		17,122	20,772	139,881
Retirement benefit liability		2,974	1,302	24,301
Provision for retirement benefits for directors (and other officers)		160	129	1,309
Provision for share awards for directors (and other officers)		410	388	3,351
Provision for maintenance costs		476	570	3,895
Provision for loss on guarantees		440	554	3,600
Asset retirement obligations		3,825	2,568	31,254
Other		76,256	73,639	622,957
Total non-current liabilities		1,123,990	1,096,398	9,182,181
Total liabilities		2,575,464	2,634,488	21,039,657

Notes	Millions of yen		Thousands of U.S. dollars (Note I)
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Net assets			
Shareholders' equity			
Share capital	10,532	10,532	86,040
Capital surplus	7,278	6,197	59,464
Retained earnings	277,361	251,320	2,265,841
Treasury shares	(2,463)	(1,912)	(20,124)
Total shareholders' equity	292,709	266,138	2,391,221
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	38,547	44,833	314,906
Deferred gains or losses on hedges	(3,932)	(2,656)	(32,125)
Foreign currency translation adjustment	5,509	(3,698)	45,011
Remeasurements of defined benefit plans	(0)	(50)	(1)
Total accumulated other comprehensive income	40,124	38,427	327,791
Share acquisition rights	650	704	5,316
Non-controlling interests	40,754	39,527	332,937
Total net assets	374,239	344,796	3,057,265
Total liabilities and net assets	¥ 2,949,704	¥ 2,979,285	\$ 24,096,923

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 I)
		FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Net sales	1	¥ 657,847	¥ 740,263	\$ 5,374,129
Cost of sales	3	568,988	657,519	4,648,222
Gross profit		88,858	82,744	725,908
Selling, general and administrative expenses	2	42,824	38,188	349,841
Operating profit		46,034	44,555	376,067
Non-operating income				
Interest income		13	38	113
Dividend income		2,332	2,009	19,051
Gain on investments in investment partnerships		268	249	2,197
Share of profit of entities accounted for using equity method		3,293	1,684	26,908
Recoveries of written off receivables		1,743	96	14,243
Reversal of provision for loss on guarantees		121	187	996
Other		514	468	4,207
Total non-operating income		8,289	4,734	67,715
Non-operating expenses				
Interest expenses		775	677	6,337
Bond issuance costs		34	33	281
Foreign exchange losses		430	93	3,515
Loss on investments in investment partnerships		40	163	333
Distributions of profit or loss on silent partnerships		266	281	2,178
Other		52	43	427
Total non-operating expenses		1,600	1,292	13,071
Ordinary profit		52,723	47,996	430,711
Extraordinary income				
Gain on sale of investment securities		840	2	6,868
Gain on transition of retirement benefit plan		10	–	83
Subsidy income		–	727	–
Other		73	–	603
Total extraordinary income		924	730	7,554
Extraordinary losses				
Loss on valuation of investment securities		357	1	2,924
Loss on step acquisitions		2	–	23
Impairment losses	3	642	1	5,246
Loss on disposal of non-current assets	4	40	35	331
Loss on tax purpose reduction entry of non-current assets		–	727	–
Loss on revision of retirement benefit plan		9	–	74
Total extraordinary losses		1,052	765	8,599
Profit before income taxes		52,595	47,960	429,666
Income taxes - current		17,052	15,216	139,310
Income taxes - deferred		(933)	(130)	(7,628)
Total income taxes		16,119	15,086	131,682
Profit		36,476	32,874	297,984
Profit attributable to non-controlling interests		2,589	3,307	21,156
Profit attributable to owners of parent		¥ 33,886	¥ 29,566	\$ 276,828

The accompanying notes are an integral part of these statements.

Consolidated statements of comprehensive income

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
		¥	¥	\$
Profit		36,476	32,874	297,984
Other comprehensive income				
Valuation difference on available-for-sale securities		(6,297)	12,494	(51,448)
Deferred gains or losses on hedges		(742)	(1,829)	(6,067)
Foreign currency translation adjustment		7,910	(3,593)	64,623
Remeasurements of defined benefit plans, net of tax		26	124	216
Share of other comprehensive income of entities accounted for using equity method		808	1,023	6,607
Total other comprehensive income	1	1,705	8,218	13,931
Comprehensive income		¥ 38,181	¥ 41,092	\$ 311,915
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		¥ 35,583	¥ 37,740	\$ 290,695
Comprehensive income attributable to non-controlling interests		2,597	3,352	21,220

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in equity

FY2021 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 10,532	¥ 6,197	¥ 251,320	¥ (1,912)	¥ 266,138
Changes during period					
Dividends of surplus			(7,824)		(7,824)
Profit attributable to owners of parent			33,886		33,886
Purchase of treasury shares				(646)	(646)
Disposal of treasury shares			(20)	95	74
Purchase of shares of consolidated subsidiaries					-
Change in ownership interest of parent due to transactions with non-controlling interests		1,081			1,081
Net changes in items other than shareholders' equity					
Total changes during period	-	1,081	26,041	(551)	26,571
Balance at end of period	¥ 10,532	¥ 7,278	¥ 277,361	¥ (2,463)	¥ 292,709

(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	¥ 44,833	¥ (2,656)	¥ (3,698)	¥ (50)	¥ 38,427	¥ 704	¥ 39,527	¥ 344,796
Changes during period								
Dividends of surplus								(7,824)
Profit attributable to owners of parent								33,886
Purchase of treasury shares								(646)
Disposal of treasury shares								74
Purchase of shares of consolidated subsidiaries								-
Change in ownership interest of parent due to transactions with non-controlling interests								1,081
Net changes in items other than shareholders' equity	(6,285)	(1,276)	9,208	50	1,697	(53)	1,227	2,871
Total changes during period	(6,285)	(1,276)	9,208	50	1,697	(53)	1,227	29,442
Balance at end of period	¥ 38,547	¥ (3,932)	¥ 5,509	¥ (0)	¥ 40,124	¥ 650	¥ 40,754	¥ 374,239

FY2020 (From April 1, 2020 to March 31, 2021)

(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	¥ 228,285	¥ (2,075)	¥ 245,615
Changes during period					
Dividends of surplus			(6,466)		(6,466)
Profit attributable to owners of parent			29,566		29,566
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(64)	163	98
Purchase of shares of consolidated subsidiaries		(2,676)			(2,676)
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	-	(2,676)	23,035	163	20,522
Balance at end of period	¥ 10,532	¥ 6,197	¥ 251,320	¥ (1,912)	¥ 266,138

(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	¥ 31,650	¥ (798)	¥ (435)	¥ (163)	¥ 30,253	¥ 764	¥ 35,186	¥ 311,819
Changes during period								
Dividends of surplus								(6,466)
Profit attributable to owners of parent								29,566
Purchase of treasury shares								(0)
Disposal of treasury shares								98
Purchase of shares of consolidated subsidiaries								(2,676)
Change in ownership interest of parent due to transactions with non-controlling interests								-
Net changes in items other than shareholders' equity	13,182	(1,857)	(3,263)	112	8,173	(60)	4,341	12,454
Total changes during period	13,182	(1,857)	(3,263)	112	8,173	(60)	4,341	32,977
Balance at end of period	¥ 44,833	¥ (2,656)	¥ (3,698)	¥ (50)	¥ 38,427	¥ 704	¥ 39,527	¥ 344,796

FY2021 (From April 1, 2021 to March 31, 2022)

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

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$ 86,040	\$ 50,630	\$ 2,053,105	\$ (15,622)	\$ 2,174,153
Changes during period					
Dividends of surplus			(63,920)		(63,920)
Profit attributable to owners of parent			276,828		276,828
Purchase of treasury shares				(5,281)	(5,281)
Disposal of treasury shares			(172)	779	607
Purchase of shares of consolidated subsidiaries					-
Change in ownership interest of parent due to transactions with non-controlling interests		8,834			8,834
Net changes in items other than shareholders' equity					
Total changes during period	-	8,834	212,736	(4,502)	217,068
Balance at end of period	\$ 86,040	\$ 59,464	\$ 2,265,841	\$ (20,124)	\$ 2,391,221

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

	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	\$ 366,255	\$ (21,699)	\$ (30,218)	\$ (414)	\$ 313,924	\$ 5,752	\$ 322,910	\$ 2,816,738
Changes during period								
Dividends of surplus								(63,920)
Profit attributable to owners of parent								276,828
Purchase of treasury shares								(5,281)
Disposal of treasury shares								607
Purchase of shares of consolidated subsidiaries								-
Change in ownership interest of parent due to transactions with non-controlling interests								8,834
Net changes in items other than shareholders' equity	(51,348)	(10,427)	75,228	414	13,867	(435)	10,027	23,459
Total changes during period	(51,348)	(10,427)	75,228	414	13,867	(435)	10,027	240,527
Balance at end of period	\$ 314,906	\$ (32,125)	\$ 45,011	\$ (1)	\$ 327,791	\$ 5,316	\$ 332,937	\$ 3,057,265

The accompanying notes are an integral part of these statements.

Consolidated statements of cash flows

	Millions of yen		Thousands of U.S. dollars (Note I)	
	Notes	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Cash flows from operating activities				
Profit before income taxes	¥	52,595	¥ 47,960	\$ 429,666
Depreciation of assets for lease		46,175	41,128	377,219
Loss on retirement of assets for lease and cost of property for lease sales		152,268	26,442	1,243,922
Depreciation of other operating assets		2,522	2,623	20,607
Depreciation		2,336	2,398	19,089
Amortization of goodwill		1,405	1,326	11,480
Impairment losses		642	1	5,246
Increase (decrease) in allowance for doubtful accounts		(406)	(128)	(3,325)
Increase (decrease) in provision for bonuses and bonuses for directors (and other officers)		8	(24)	70
Increase (decrease) in provision for future lease payments		0	0	1
Increase (decrease) in provision for retirement benefits for directors (and other officers)		5	(2)	44
Increase (decrease) in provision for share awards for directors (and other officers)		177	125	1,448
Increase (decrease) in provision for maintenance costs		(94)	(6)	(769)
Increase (decrease) in provision for loss on guarantees		(121)	(187)	(996)
Increase (decrease) in retirement benefit liability		46	(750)	377
Loss (gain) on valuation of short-term and long-term investment securities		357	1	2,924
Interest and dividend income		(2,345)	(2,047)	(19,164)
Capital costs and interest expenses		10,155	10,432	82,960
Loss (gain) on investments in investment partnerships and silent partnerships		(228)	(85)	(1,864)
Share of loss (profit) of entities accounted for using equity method		(3,293)	(1,684)	(26,908)
Loss (gain) on sale of short-term and long-term investment securities		(840)	(2)	(6,868)
Loss (gain) on disposal of non-current assets		40	35	331
Subsidy income		–	(727)	–
Loss on tax purpose reduction entry of non-current assets		–	727	–
Decrease (increase) in installment receivables		17,555	19,027	143,414
Net decrease (increase) in lease receivables and investments in leases		90,527	69,314	739,542
Decrease (increase) in accounts receivable - lease		7,307	(1,747)	59,698
Decrease (increase) in operating loans		(3,678)	(3,007)	(30,049)
Decrease (increase) in accounts receivable - other loans to customers		3,449	(7,436)	28,177
Decrease (increase) in investment securities for sale		(39,812)	(48,372)	(325,237)
Purchase of assets for lease		(220,598)	(145,886)	(1,802,128)

	Millions of yen		Thousands of U.S. dollars (Note I)
Notes	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Purchase of other operating assets	(4,821)	(317)	(39,386)
Decrease (increase) in retirement benefit asset	(23)	3	(192)
Decrease (increase) in distressed receivables	18	43	151
Decrease (increase) in guarantee deposits	4,302	(198)	35,145
Increase (decrease) in trade payables	1,265	(15,551)	10,339
Increase (decrease) in lease liabilities	(3,873)	(8,225)	(31,643)
Increase (decrease) in guarantee deposits received	3,420	4,018	27,940
Other, net	(1,315)	(7,996)	(10,746)
Subtotal	115,128	(18,776)	940,514
Interest and dividends received	2,706	2,332	22,112
Interest paid	(10,209)	(10,086)	(83,408)
Income taxes refund (paid)	(18,650)	(9,277)	(152,364)
Subsidies received	–	727	–
Net cash provided by (used in) operating activities	88,974	(35,080)	726,854

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Cash flows from investing activities				
Purchase of own-used assets		(2,179)	(4,177)	(17,804)
Purchase of investment securities		(12,163)	(2,222)	(99,369)
Proceeds from sale and redemption of investment securities		1,543	194	12,612
Purchase of shares of subsidiaries resulting in change in scope of consolidation	2	(3,589)	–	(29,321)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	–	302	–
Other, net		718	(67)	5,871
Net cash provided by (used in) investing activities		(15,669)	(5,970)	(128,010)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(1,850)	35,384	(15,113)
Repayments of short-term borrowings		–	(54,272)	–
Net increase (decrease) in commercial papers		(99,200)	19,500	(810,391)
Proceeds from long-term borrowings		353,067	390,069	2,884,304
Repayments of long-term borrowings		(336,531)	(342,902)	(2,749,213)
Net increase (decrease) in payables under securitization of lease receivables		(700)	1,200	(5,718)
Proceeds from securitization of lease receivables		42	20,672	349
Repayments of payables under securitization of lease receivables		(42,054)	(46,180)	(343,555)
Proceeds from issuance of bonds		64,530	70,405	527,166
Redemption of bonds		(30,000)	(20,000)	(245,078)
Purchase of treasury shares		(646)	(0)	(5,281)
Proceeds from disposal of treasury shares		74	98	607
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		–	(3,440)	–
Dividends paid		(7,824)	(6,466)	(63,920)
Dividends paid to non-controlling interests		(288)	(366)	(2,354)
Other, net		(154)	(296)	(1,266)
Net cash provided by (used in) financing activities		(101,534)	63,405	(829,465)
Effect of exchange rate change on cash and cash equivalents		1,433	(484)	11,714
Net increase (decrease) in cash and cash equivalents		(26,796)	21,869	(218,906)
Cash and cash equivalents at beginning of period		98,753	77,416	806,743
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		–	(532)	–
Cash and cash equivalents at end of period	1	¥ 71,957	¥ 98,753	\$ 587,837

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 ¥122.41 to US\$1.00, in effect at March 31, 2022, 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: 59 companies

Names of significant consolidated subsidiaries:

Fuyo Auto Lease Co., Ltd.
YAMATO LEASE CO., LTD.
Sharp Finance Co., Ltd.
Accretive Co., Ltd.
INVOICE INC.
FGL Group Business Service Co., Ltd.
FGL Group Management 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, 2022, the Company made additional acquisitions of shares in NIHON CREDIT LEASE CORPORATION and excluded it from the scope of application of the equity method, while including it in the scope of consolidation. However, due to an absorption-type merger with the Company as the surviving company, NIHON CREDIT LEASE CORPORATION is excluded from the scope of consolidation. WorkVision Corporation is included in the scope of consolidation due to the acquisition of 100.00% of its issued shares.

(2) Non-consolidated subsidiaries

Reason for exclusion from the scope of consolidation

Among the non-consolidated subsidiaries, 147 companies including FK Ignicion Leasing Ltd. 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: 13 associates

Names of significant associates:

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

In the fiscal year ended March 31, 2022, the Company made additional acquisitions of shares in NIHON CREDIT LEASE CORPORATION and excluded it from the scope of application of the equity method, while including it in the scope of consolidation. However, due to an absorption-type merger with the Company as the surviving company, NIHON CREDIT LEASE CORPORATION is excluded from the scope of consolidation.

- (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, 147 companies including FK Ignicion Leasing Ltd. 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 including Fuyo General Lease (USA) Inc. have balance sheet dates of December 31, while 12 domestic consolidated subsidiaries including General Incorporated Association C · C · S Holding have balance sheet dates of January 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. The financial statements of F.C. Initial Leasing Ltd. and four other companies are based on the provisional settlement of accounts conducted as of the consolidated balance sheet date. The closing date of other consolidated subsidiaries is the same as the consolidated balance sheet date.

4. Summary of significant accounting policies

- (1) Standard and method of valuation of significant assets

1) Securities

Other securities

Securities other than shares without a market price, etc.

Fair value method based on market price, etc. on the consolidated balance sheet date

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.

Shares without a market price, etc.

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 2 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 ¥5,393 million (U.S.\$44,059 thousand) in the fiscal year ended March 31, 2022 and ¥3,098 million in the fiscal year ended March 31, 2021.

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 and one of the Company's domestic consolidated subsidiaries expense 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 three of the Company's domestic consolidated subsidiaries amortize them by the straight-line method over a period (5 to 11 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.

3) Accounting policy for revenue from sale of leased properties

Recorded as sales revenue when leased properties are delivered to the customer and the performance obligation is satisfied.

(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, currency swaps and forward exchange contracts

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

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.

II. Significant accounting estimates

Of the accounting estimates made in preparing the consolidated financial statements for the fiscal year ended March 31, 2022, the items that may have a significant impact on the consolidated financial statements for the following fiscal year are “Assets for lease (property, plant and equipment).”

(1) Amount recorded in the consolidated financial statements

FY2021: ¥671,643 million (U.S.\$5,486,832 thousand)

FY2020: ¥632,299 million

(2) Information regarding significant accounting estimates for identified items

1) Method of calculation of amounts

The Company records the acquisition cost of leased assets under operating leases less accumulated depreciation. Depreciation is calculated mainly using the straight-line method with the lease agreement period as the depreciation period and the estimated disposal amount at the end of the lease agreement period as the residual value.

The estimated disposal amount is calculated based on the details of individual assets, individual contracts and other factors, taking into account future cash flows, discount rates, and net sales values, etc.

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.

In assessing impairment of assets for lease, the Company groups assets, and for asset groups whose profitability has declined significantly, the book value of the assets for lease is written down to the recoverable amount, and the difference is recorded as an impairment loss.

2) Main assumptions used to calculate the amounts

The main assumption is the “future cash flow” for estimating the “residual value.”

Future cash flows are evaluated individually based on the contractual terms, etc. and conditions of each project. The “future cash flows” for each individual lease contract are established based on external factors such as the economic environment, interest rate fluctuations, and competition in the market.

The Group recognizes that the spread of the novel coronavirus disease (COVID-19) will have a certain impact on cash flows derived mainly from leased properties. The Group expects that the impact of COVID-19 will continue to cause restrictions and uncertainty in economic activities, and that it will take time for the situation to subside. Although this situation is subject to uncertainty, the Group has made estimates based on available information.

3) Impact on the consolidated financial statements for the following fiscal year

The main assumption, “future cash flow” for estimating the “residual value,” is subject to a high degree of estimation uncertainty, and any change in the assumptions used for the initial estimate may have a significant impact on the valuation of the assets for lease in the consolidated financial statements for the following fiscal year.

In addition, if the impact of COVID-19 on economic and corporate activities changes, it may affect the cash flow from leased properties, which may have a significant impact on the valuation of assets for lease in the consolidated financial statements for the following fiscal year.

III. Change in accounting policy

Application of Accounting Standard for Revenue Recognition

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter, “Revenue Recognition Accounting Standard”), has been applied from the beginning of the fiscal year ended March 31, 2022, and revenue is recognized when control of a promised goods or services is transferred to the customer, in the amount expected to be received in exchange for the goods or services. As a result, for some transactions, the total amount of the consideration received from customers was previously recognized as revenue, but for transactions in which the Group acts as an agent in providing goods or services to customers, revenue is recognized as a net amount obtained by deducting the amount paid to the supplier from the amount received from the customer.

The application of the Revenue Recognition Accounting Standard follows the transitional treatment stipulated in the proviso to paragraph 84 of the Revenue Recognition Accounting Standard, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022, is treated as an adjustment to retained earnings at the beginning of the fiscal year ended March 31, 2022, and thus the new accounting policy is applied from such beginning balance.

As a result, net sales and cost of sales for the fiscal year ended March 31, 2022 each decreased by ¥140,931 million (U.S.\$1,151,304 thousand). Additionally, there is no effect on the beginning balance of retained earnings.

Note that in accordance with the transitional treatment as prescribed in paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on “Revenue Recognition” for the previous fiscal year have not been stated.

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

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter, “Fair Value Measurement Accounting Standard”) has been applied from the beginning of the fiscal year ended March 31, 2022, and in accordance with the transitional treatment stipulated in paragraph 19 of Fair Value Measurement Accounting Standard and paragraph 44-2 of “Accounting

Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The new accounting policy stipulated by the Fair Value Measurement Accounting Standard has been applied prospectively. As a result, for available-for-sale securities whose market value is used as the balance sheet amount, the Company previously used the value calculated based on the average market price during one month before the consolidated balance sheet date, but has changed to using the market price on the consolidated balance sheet date.

In addition, the notes on “Financial instruments” include notes on matters concerning the breakdown of financial instruments by fair value level and other matters. However, in accordance with the transitional treatment provided for in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019) such notes for the previous fiscal year have not been stated.

IV. New accounting standards and implementation guidances not yet applied

New accounting standards and implementation guidances not yet applied

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

(1) Overview

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, Accounting Standards Board of Japan) was revised on June 17, 2021. When the Guidance was first announced on July 4, 2019, as the review of “fair value measurement of investment trusts” was considered to take a certain period of time for the deliberation with related parties and as the notes on fair values of “investments in partnerships for which an amount equivalent to the interest is carried on the balance sheet at net amount” required a certain review, the Guidance mentioned that those reviews would be implemented for approximately one year after the announcement of the “Accounting Standard for Fair Value Measurement.” Now those points for review were amended and the revised Guidance was announced.

(2) Scheduled date of adoption

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

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

The amounts that affect the consolidated financial statements by adopting the “Implementation Guidance on Accounting Standard for Fair Value Measurement” are insignificant.

V. 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 ¥1,254 million (U.S.\$10,248 thousand) and 177,100 shares as of March 31, 2022 and ¥642 million and 96,700 shares as of March 31, 2021.

(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, 2022, 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.

With regard to the future economic outlook, although a gradual recovery is expected as economic and social activities move toward normalization, we anticipate that the situation will remain highly uncertain and it will take time for the situation to subside. Although this situation is subject to uncertainty, we have made estimates based on available information.

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.

VI. 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, 2022	As of March 31, 2021	As of March 31, 2022	
Assets for lease	¥ 167,973	¥ 199,960	\$ 1,372,217	
Other operating assets	12,423	10,072	101,492	
Own-used assets	2,620	1,985	21,406	

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022	
Operational investment securities (other)	¥ 1,300	¥ 500	\$ 10,620	
Investment securities (shares)	29,095	25,531	237,687	
(of which investment in joint ventures)	(27,874)	(24,347)	(227,715)	
Investment securities (other)	13,388	3,802	109,370	

*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, 2022	As of March 31, 2021	As of March 31, 2022	
Cash and deposits	¥ 3,122	¥ 3,084	\$ 25,512	
Installment receivables	555	678	4,535	
Lease receivables and investments in leases	13,770	15,133	112,494	
Accounts receivable - other loans to customers	3,427	3,519	27,997	
Accounts receivable - lease	106	92	873	
Operating lease and other contract receivables	10,021	2,163	81,872	
Assets for lease (property, plant and equipment)	52,327	65,306	427,476	
Other operating assets (property, plant and equipment)	18,565	19,746	151,665	
Total	¥ 101,897	¥ 109,725	\$ 832,425	

Note: Besides the above assets pledged as collateral, the Company provided investment securities (¥602 million (U.S.\$4,919 thousand) in the fiscal year ended March 31, 2022, ¥612 million in the fiscal year ended March 31, 2021) as third party security for bank loans taken out by business partners. The Company maintains deposits of investment securities (¥3 million (U.S.\$25 thousand) and ¥3 million as of March 31, 2022 and March 31, 2021, respectively) for the purpose of sales transactions.

(2) Liabilities secured by collateral

	Millions of yen		Thousands of
	As of March 31, 2022	As of March 31, 2021	U.S. dollars
Other (current liabilities)	¥ 6	¥ 19	\$ 56
Long-term borrowings (current portion included)	70,404	80,752	575,150
Long-term payables under securitization of lease receivables (current portion included)	68	109	559
Total	¥ 70,479	¥ 80,881	\$ 575,766

*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, 2022	As of March 31, 2021	U.S. dollars
Total loan commitments	¥ 3,055	¥ 2,915	\$ 24,957
Balance of loans extended	1,450	1,295	11,845
Difference	¥ 1,605	¥ 1,620	\$ 13,112

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 77 correspondent financial institutions, etc. (74 in the fiscal year ended March 31, 2021) for the efficient procurement of working capital. The unused balance, etc. at the end of the fiscal years ended March 31, 2022 and 2021 based on these agreements was as follows:

	Millions of yen		Thousands of
	As of March 31, 2022	As of March 31, 2021	U.S. dollars
Upper limit on overdrafts and total loan commitments	¥ 1,033,097	¥ 1,003,822	\$ 8,439,645
Balance of borrowings drawn	522,819	508,983	4,271,048
Difference	¥ 510,278	¥ 494,839	\$ 4,168,597

*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, 2022	As of March 31, 2021	As of March 31, 2022	As of March 31, 2021
Mizuho Bank, Ltd. (Note)	¥ 41,895	¥ 16,898	\$ 342,258	
Pacific Rim Capital, Inc.	4,957	2,863	40,497	
IBM Japan, Ltd. (Note)	1,625	3,629	13,277	
Sumitomo Realty & Development Co., Ltd. (Note)	1,272	1,272	10,394	
AEON Mall Co., Ltd.	1,100	1,152	8,992	
JAPAN SECURITIZATION CORPORATION (Note)	1,006	943	8,219	
MaruzenJunkudo Bookstores Co., Ltd. (Note)	767	307	6,269	
XYMAX TOKAI Corporation (Note)	673	–	5,501	
AEON RETAIL CO., LTD.	570	681	4,659	
Sumitomo Mitsui Trust Bank, Limited (Note)	499	499	4,084	
XYMAX Corporation (Note)	224	588	1,838	
Marubeni Fuyo Auto Investment (CANADA)	–	1,975	–	
FANTASTIC FUNDING CORPORATION (Note)	–	1,551	–	
MONEY PARTNERS CO., LTD.	–	399	–	
Employees (funds for purchasing housing)	3	8	32	
Others (830 in the fiscal year ended March 31, 2022, 870 in the fiscal year ended March 31, 2021)	24,303	27,839	198,541	
Total	¥ 78,900	¥ 60,611	\$ 644,562	

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 ¥31,777 million (U.S.\$259,597 thousand) as of March 31, 2022 and ¥39,296 million as of March 31, 2021.

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022	As of March 31, 2021
Current portion of long-term non-recourse borrowings	¥ 3,176	¥ 9,496	\$ 25,948	
Long-term non-recourse borrowings	31,340	29,630	256,029	
Total	¥ 34,516	¥ 39,126	\$ 281,977	

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

	Millions of yen		Thousands of
	As of March 31, 2022	As of March 31, 2021	U.S. dollars
Accounts receivable - other loans to customers	¥ 35,077	¥ 34,928	\$ 286,554
Assets for lease (property, plant and equipment)	—	5,674	—
Total	¥ 35,077	¥ 40,603	\$ 286,554

*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 ¥76,934 million (U.S.\$628,502 thousand) in the fiscal year ended March 31, 2022 and ¥121,497 million in the fiscal year ended March 31, 2021.

VII. Notes for consolidated statements of income

*1 Revenue from contracts with customers

Net sales are not categorized separately and stated as revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is disclosed in the consolidated financial statements in Note XXI. “Revenue recognition, 1. Information on disaggregation of revenue from contracts with customers.”

*2 Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Provision of allowance for doubtful accounts	¥ 2,620	¥ 1,355	\$ 21,405
Bad debts expenses	378	474	3,092
Employees' salaries, allowances and bonuses	14,949	14,102	122,128
Provision for bonuses	2,802	2,261	22,897
Provision for bonuses for directors (and other officers)	200	181	1,636
Retirement benefit expenses	975	165	7,965
Provision for retirement benefits for directors (and other officers)	43	36	358
Provision for share awards for directors (and other officers)	229	178	1,874
Welfare expenses	3,425	3,219	27,984
Rent expenses	2,384	2,151	19,479
Depreciation	2,336	2,398	19,089
Amortization of goodwill	1,405	1,326	11,480

*3 Impairment losses

The Group recorded impairment losses for the following asset groups:

FY2021 (From April 1, 2021 to March 31, 2022)

Location	Use	Type	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Ireland	Assets for lease	Transportation equipment (aircraft)	¥ 2,048	\$ 16,734
Chiyoda-ku, Tokyo	Other intangible assets	Customer-related assets	641	5,239
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	0	7

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.

In regard to the above transportation equipment (aircraft), the expected future cash flow have declined for one overseas consolidated subsidiary, so the book value of the assets for lease whose profitability has declined is written down to the recoverable amount, and the impairment loss is stated as cost of sales. Further, the recoverable amount of such assets is calculated from the net sales value or the value in use. In the case of using net sales value, the amount is based on the assessed value reasonably calculated by a third-party, and in the case of using value in use, the amount is calculated by the future cash flows discounted at a rate of 2.62% to 4.75%.

In regard to the customer-related assets, there are no longer expectations for revenue from some existing customers that were anticipated at the time of acquisition of shares for one domestic

consolidated subsidiary, so the value in use is evaluated at zero and deducted from the book value. The amount of such reduction in assets is recorded in extraordinary losses as an impairment loss.

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.

FY2020 (From April 1, 2020 to March 31, 2021)

Location	Use	Type	Amount (Millions of yen)
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	¥ 1

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.

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

Loss on retirement of non-current assets

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Buildings	¥ 11	¥ 7	\$ 90
Equipment	13	13	110
Leased assets	9	8	81
Software	6	7	50
Total	¥ 40	¥ 35	\$ 331

VIII. 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	
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)	
Valuation difference on available-for-sale securities:				
Gains or losses arising during the year	¥ (8,355)	¥ 18,434	\$ (68,262)	
Reclassification adjustments to profit or loss	(717)	(414)	(5,859)	
Amount before income tax effect	(9,073)	18,020	(74,121)	
Income tax effect	2,775	(5,525)	22,673	
Valuation difference on available-for-sale securities	¥ (6,297)	¥ 12,494	\$ (51,448)	
Deferred gains or losses on hedges:				
Gains or losses arising during the year	(1,449)	(2,236)	(11,839)	
Reclassification adjustments to profit or loss	415	313	3,390	
Amount before income tax effect	(1,034)	(1,923)	(8,448)	
Income tax effect	291	94	2,381	
Deferred gains or losses on hedges	¥ (742)	¥ (1,829)	\$ (6,067)	
Foreign currency translation adjustment:				
Gains or losses arising during the year	7,910	(3,593)	64,623	
Foreign currency translation adjustment	¥ 7,910	¥ (3,593)	\$ 64,623	
Remeasurements of defined benefit plans, net of tax:				
Gains or losses arising during the year	44	140	368	
Reclassification adjustments to profit or loss	(5)	38	(42)	
Amount before income tax effect	39	179	326	
Income tax effect	(13)	(55)	(110)	
Remeasurements of defined benefit plans, net of tax	¥ 26	¥ 124	\$ 216	
Share of other comprehensive income of entities accounted for using equity method:				
Gains or losses arising during the year	771	1,018	6,299	
Reclassification adjustments to profit or loss	37	4	308	
Share of other comprehensive income of entities accounted for using equity method	¥ 808	¥ 1,023	\$ 6,607	
Total other comprehensive income	¥ 1,705	¥ 8,218	\$ 13,931	

IX. Notes for consolidated statements of changes in equity

FY2021 (From April 1, 2021 to March 31, 2022)

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)	290,885	85,572	14,500	361,957
Total	290,885	85,572	14,500	361,957

- Notes: 1. The number of common shares in treasury shares at the end of the year includes the 177,100 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 85,572 increase in the number of common shares in treasury shares is due to an increase of 85,500 shares through the acquisition of treasury shares by the Board Benefit Trust (BBT) and an increase of 72 shares through the acquisition of fractional unit shares.
3. The 14,500 decrease in the number of common shares in treasury shares was a 9,400 decrease due to the exercise of stock options and a 5,100 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	–	–	–	–	–	¥ 650	\$ 5,316

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 23, 2021 Annual General Meeting of Shareholders	Common shares	¥ 3,912	¥ 130	March 31, 2021	June 24, 2021
November 5, 2021 Board of Directors	Common shares	3,912	130	September 30, 2021	December 6, 2021

- Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 23, 2021, include cash dividends of ¥12 million for the Company's shares held by Board Benefit Trust (BBT).
2. Total amount of cash dividends which resolved at Board of Directors held on November 5, 2021, include cash dividends of ¥11 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, 2022 Annual General Meeting of Shareholders	Common shares	¥ 4,665	Retained earnings	¥ 155	March 31, 2022	June 24, 2022

(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, 2022 Annual General Meeting of Shareholders	Common shares	\$ 38,117	Retained earnings	\$ 1.27	March 31, 2022	June 24, 2022

Note: Total amount of cash dividends include cash dividends of ¥27 million (U.S.\$224 thousand) for the Company's shares held by Board Benefit Trust (BBT).

FY2020 (From April 1, 2020 to March 31, 2021)

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)	315,734	51	24,900	290,885
Total	315,734	51	24,900	290,885

- Notes: 1. The number of common shares in treasury shares at the end of the year includes the 96,700 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 51 increase in the number of common shares in treasury shares is due to an increase of the acquisition of fractional unit shares.
3. The 24,900 decrease in the number of common shares in treasury shares was a 19,100 decrease due to the exercise of stock options and a 5,800 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)
			Beginning of the year	Increase	Decrease	End of the year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	¥ 704

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 23, 2020 Annual General Meeting of Shareholders	Common shares	¥ 3,157	¥ 105	March 31, 2020	June 24, 2020
November 6, 2020 Board of Directors	Common shares	3,308	110	September 30, 2020	December 2, 2020

- Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 23, 2020, include cash dividends of ¥10 million for the Company's shares held by Board Benefit Trust (BBT).
2. Total amount of cash dividends which resolved at Board of Directors held on November 6, 2020, 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, 2021 Annual General Meeting of Shareholders	Common shares	¥ 3,912	Retained earnings	¥ 130	March 31, 2021	June 24, 2021

Note: Total amount of cash dividends include cash dividends of ¥12 million for the Company's shares held by Board Benefit Trust (BBT).

X. 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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Cash and deposits	¥ 72,157	¥ 98,926	\$ 589,476
Time deposits with maturity of over three months	(200)	(172)	(1,639)
Cash and cash equivalents	¥ 71,957	¥ 98,753	\$ 587,837

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

FY2021 (From April 1, 2021 to March 31, 2022)

The following includes the breakdown of assets and liabilities at the time of consolidation as a result of the additional acquisition of shares of NIHON CREDIT LEASE CORPORATION which had been an entity accounted for using equity method, and the relation between the acquisition cost of shares and net consideration paid for the acquisition (net price).

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 9,829	\$ 80,300
Non-current assets	9	77
Goodwill	21	175
Current liabilities	(8,416)	(68,758)
Non-current liabilities	(1)	(13)
Valuation difference	(21)	(175)
Acquisition cost of shares	1,420	11,606
Acquisition cost up until the time control was obtained	(429)	(3,505)
Loss on step acquisitions	2	23
Acquisition cost of additionally acquired shares	994	8,124
Cash and cash equivalents	(39)	(321)
Difference: net consideration paid for acquisition	¥ 955	\$ 7,803

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of WorkVision Corporation, and the relation between the acquisition cost of shares and net consideration paid for acquisition (net price).

	Millions of yen		Thousands of U.S. dollars	
Current assets	¥	5,328	\$	43,534
Non-current assets		1,427		11,664
Goodwill		1,900		15,526
Current liabilities		(2,662)		(21,748)
Non-current liabilities		(2,267)		(18,521)
Valuation difference		971		7,940
Acquisition cost of shares		4,700		38,396
Cash and cash equivalents		(2,066)		(16,878)
Difference: net consideration paid for acquisition	¥	2,633	\$	21,517

FY2020 (From April 1, 2020 to March 31, 2021)

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of YAMATO LEASE CO., LTD., and the relation between the acquisition cost of shares and proceeds for the acquisition (net price).

	Millions of yen	
Current assets	¥	93,168
Non-current assets		14,054
Goodwill		295
Current liabilities		(102,087)
Non-current liabilities		(7)
Non-controlling interests		(2,122)
Acquisition cost of shares		3,300
Cash and cash equivalents		(3,602)
Difference: net consideration provided for acquisition	¥	(302)

XI. 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 required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Within one year	¥ 610	¥ 550	\$ 4,985
Over one year	959	1,412	7,840
Total	¥ 1,569	¥ 1,962	\$ 12,825

As lessor

1. Finance leases

(1) Breakdown of investments in leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Lease receivables	¥ 938,940	¥ 991,818	\$ 7,670,454
Estimated residual value	18,216	19,389	148,812
Future interest income	(108,680)	(114,018)	(887,844)
Investments in leases	¥ 848,475	¥ 897,190	\$ 6,931,421

(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, 2022					
	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	¥ 49,858	¥ 45,367	¥ 26,268	¥ 18,502	¥ 15,889	¥ 28,465
Investments in leases	296,135	189,019	132,196	97,788	55,352	168,447

(Thousands of U.S. dollars)

	As of March 31, 2022					
	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	\$ 407,309	\$ 370,615	\$ 214,595	\$ 151,156	\$ 129,807	\$ 232,540
Investments in leases	2,419,211	1,544,155	1,079,950	798,859	452,186	1,376,093

(Millions of yen)

	As of March 31, 2021					
	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	¥ 47,085	¥ 46,682	¥ 43,610	¥ 20,123	¥ 10,445	¥ 30,317
Investments in leases	283,648	218,393	153,987	99,952	61,038	174,798

- (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, 2022 and 2021 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, 2022	As of March 31, 2021	As of March 31, 2022
Within one year	¥ 60,926	¥ 58,140	\$ 497,722
Over one year	296,322	268,800	2,420,738
Total	¥ 357,248	¥ 326,941	\$ 2,918,460

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, 2022	As of March 31, 2021	As of March 31, 2022
Lease receivables and investments in leases	¥ 7,463	¥ 12,243	\$ 60,975
Lease liabilities (current liabilities)	9,888	14,600	80,784

XII. 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 liabilities, 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. Furthermore, 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 ¥4,042 million (U.S.\$33,022 thousand) for the fiscal year ended March 31, 2022 and a change of ¥3,892 million for the fiscal year ended March 31, 2021 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

Because calculations of fair values of financial instruments 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. Note that shares without a market price, etc. and investments in partnerships, etc. are not included in the following table (See (Note)). In addition, cash and deposits, short-term borrowings, commercial papers and payables under securitization of lease receivables are omitted from the notes because their fair value are close to their book value due to being settled in a short period of time.

As of March 31, 2022

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	¥ 65,802	¥ 66,358	¥ 556
(2) Lease receivables and investments in leases*2	1,018,101	1,063,189	45,088
(3) Operating loans*2	315,915	317,850	1,935
(4) Operational investment securities and investment securities			
Other securities	252,407	252,407	-
Total assets	¥ 1,652,226	¥ 1,699,806	¥ 47,580
(1) Lease liabilities (current liabilities and non-current liabilities)	¥ 11,357	¥ 11,357	¥ -
(2) Bonds payable (current portion included)	257,137	255,693	(1,443)
(3) Long-term borrowings (current portion included)	1,108,416	1,116,617	8,200
(4) Long-term payables under securitization of lease receivables (current portion included)	31,706	31,695	(10)
Total liabilities	¥ 1,408,618	¥ 1,415,365	¥ 6,746
Derivatives*3			
(i) Hedge accounting not applied	¥ -	¥ -	¥ -
(ii) Hedge accounting applied	(380)	963	1,343
Total derivatives	¥ (380)	¥ 963	¥ 1,343

	Thousands of U.S. dollars		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	\$ 537,556	\$ 542,102	\$ 4,546
(2) Lease receivables and investments in leases*2	8,317,143	8,685,482	368,339
(3) Operating loans*2	2,580,799	2,596,609	15,809
(4) Operational investment securities and investment securities Other securities	2,061,983	2,061,983	–
Total assets	\$ 13,497,481	\$ 13,886,175	\$ 388,694
(1) Lease liabilities (current liabilities and non-current liabilities)	\$ 92,783	\$ 92,783	\$ –
(2) Bonds payable (current portion included)	2,100,624	2,088,832	(11,792)
(3) Long-term borrowings (current portion included)	9,054,953	9,121,949	66,996
(4) Long-term payables under securitization of lease receivables (current portion included)	259,018	258,932	(87)
Total liabilities	\$ 11,507,378	\$ 11,562,496	\$ 55,117
Derivatives*3			
(i) Hedge accounting not applied	\$ –	\$ –	\$ –
(ii) Hedge accounting applied	(3,107)	7,868	10,974
Total derivatives	\$ (3,107)	\$ 7,868	\$ 10,974

*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, 2021

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	¥ 83,386	¥ 84,536	¥ 1,149
(2) Lease receivables and investments in leases*2	1,079,217	1,138,436	59,219
(3) Operating loans*2	305,953	310,558	4,604
(4) Operational investment securities and investment securities			
Other securities	248,671	248,671	–
Total assets	¥ 1,717,229	¥ 1,782,202	¥ 64,973
(1) Lease liabilities (current liabilities and non-current liabilities)	¥ 15,733	¥ 15,733	¥ –
(2) Bonds payable (current portion included)	221,072	221,570	498
(3) Long-term borrowings (current portion included)	1,074,278	1,083,061	8,783
(4) Long-term payables under securitization of lease receivables (current portion included)	70,757	70,766	9
Total liabilities	¥ 1,381,841	¥ 1,391,132	¥ 9,291
Derivatives*3			
(i) Hedge accounting not applied	¥ –	¥ –	¥ –
(ii) Hedge accounting applied	(582)	(704)	(122)
Total derivatives	¥ (582)	¥ (704)	¥ (122)

*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.

Note: The amounts of shares without a market price, etc. and investments in partnerships, etc. recorded on the consolidated balance sheet are as follows, and not included in the information on fair value of financial instruments “Assets (4) Other securities.”

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Unlisted shares*1	¥ 10,058	¥ 7,271	\$ 82,171
Subsidiary’s shares / associates’ shares*1	42,483	29,333	347,057
Investments in limited partnerships, etc.*2	138,332	110,771	1,130,073
Total	¥ 190,874	¥ 147,376	\$ 1,559,301

*1. This equates to shares without a market price, etc., and is not subject to fair value disclosure in accordance with paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019).

*2. Investments in partnerships, etc. is not subject to fair value disclosure based on paragraph 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

3. Matters concerning the breakdown of financial instruments by fair value level and other matters.

The fair value of financial instruments is categorized by the following three levels according to the observability and materiality of inputs used in calculating fair value.

Level 1 fair value:	Fair value calculated from (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 fair value:	Fair value calculated directly or indirectly using observable inputs other than Level 1 inputs
Level 3 fair value:	Fair value calculated using significant unobservable inputs

If multiple inputs that materially affect the measurement of fair value are used, the fair value is categorized into the lowest priority level in fair value measurement among the levels of those inputs.

(1) Financial assets and financial liabilities recorded on the consolidated balance sheet at fair value
As of March 31, 2022

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	¥ –	¥ 108,665	¥ 5,836	¥ 114,501
Preferred securities / beneficial interest in trusts, etc.	–	–	5,597	5,597
Investment securities				
Shares	68,358	–	–	68,358
Derivatives				
Interest rate-related	–	97	–	97
Total assets	¥ 68,358	¥ 108,762	¥ 11,434	¥ 188,555
Derivatives				
Interest rate-related	–	452	–	452
Foreign currency-related derivatives	–	25	–	25
Total liabilities	¥ –	¥ 478	¥ –	¥ 478

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	\$ –	\$ 887,715	\$ 47,683	\$ 935,397
Preferred securities / beneficial interest in trusts, etc.	–	–	45,726	45,726
Investment securities				
Shares	558,436	–	–	558,436
Derivatives				
Interest rate-related	–	799	–	799
Total assets	\$ 558,436	\$ 888,513	\$ 93,409	\$ 1,540,359
Derivatives				
Interest rate-related	–	3,698	–	3,698
Foreign currency-related derivatives	–	207	–	207
Total liabilities	\$ –	\$ 3,905	\$ –	\$ 3,905

(*) Investment trusts, etc. to which transitional measures have been applied in accordance with Article 5, paragraph 6 of the Supplementary Provisions of “Cabinet Office Order Partially Amending the Regulation on Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Order No. 9 of March 6, 2020) are not included in the above table. The amount of investment trusts, etc. on the consolidated balance sheet is ¥63,949 million (U.S.\$522,423 thousand).

(2) Financial assets and financial liabilities not recorded on the consolidated balance sheet at fair value
As of March 31, 2022

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	¥ –	¥ –	¥ 66,358	¥ 66,358
Lease receivables and investments in leases	–	–	1,063,189	1,063,189
Operating loans	–	–	317,850	317,850
Derivatives				
Interest rate-related	–	1,343	–	1,343
Total assets	¥ –	¥ 1,343	¥ 1,447,399	¥ 1,448,742
Lease liabilities	¥ –	¥ 11,357	¥ –	¥ 11,357
Bonds payable	–	255,693	–	255,693
Long-term borrowings	–	1,116,617	–	1,116,617
Long-term payables under securitization of lease receivables	–	31,695	–	31,695
Derivatives				
Interest rate-related	–	0	–	0
Total liabilities	¥ –	¥ 1,415,365	¥ –	¥ 1,415,365

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	\$ –	\$ –	\$ 542,102	\$ 542,102
Lease receivables and investments in leases	–	–	8,685,482	8,685,482
Operating loans	–	–	2,596,609	2,596,609
Derivatives				
Interest rate-related	–	10,976	–	10,976
Total assets	\$ –	\$ 10,976	\$ 11,824,192	\$ 11,835,168
Lease liabilities	\$ –	\$ 92,783	\$ –	\$ 92,783
Bonds payable	–	2,088,832	–	2,088,832
Long-term borrowings	–	9,121,949	–	9,121,949
Long-term payables under securitization of lease receivables	–	258,932	–	258,932
Derivatives				
Interest rate-related	–	1	–	1
Total liabilities	\$ –	\$ 11,562,497	\$ –	\$ 11,562,497

Notes: 1. Explanation of evaluation techniques and inputs used in calculating fair value

Operational investment securities and investment securities

Operational investment securities and investment securities for which there are published market prices such as the stock exchange price or prices provided by relevant financial institutions or information vendors, where the unadjusted market prices in active markets can be used, are categorized as Level 1 fair value. This mainly includes listed shares.

If the market is not active, even if using published market prices, the items are categorized as Level 2 fair value. This mainly includes bonds payable.

Investment trusts are not classified by level due to the transitional measures in accordance with paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, and the published standard price and price indicated by relevant financial and other institutions are taken to be the fair value.

If the market price cannot be obtained, fair value is calculated by discounting total principal and interest, etc. by a rate calculated based on an internal rating. Since significant unobservable inputs are used in the calculation, these are categorized as Level 3 fair value.

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.

Since the impact on the inputs that cannot be observed is material for all fair values, these are categorized as Level 3 fair value.

Lease receivables and investments in leases

Fair 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. 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.

Since the impact on unobservable inputs is material for all fair values, these are categorized as Level 3 fair value.

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.

Since the impact on unobservable inputs is material for all fair values, these are categorized as Level 3 fair value.

Lease liabilities

To calculate the fair values of lease liabilities, 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.

Since the impact on unobservable inputs is immaterial, these are categorized as Level 2 fair value.

Bonds payable (current portion included), Long-term borrowings (current portion included), 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.

Since the impact on unobservable inputs is immaterial for all fair values, these are categorized as Level 2 fair value.

Derivatives

Derivatives are over-the-counter (OTC) transactions, and calculated based on the price indicated by relevant financial institutions, etc. The main inputs used in these evaluation techniques are interest rates and foreign exchange rates, etc. Since observable inputs are used, their fair value is categorized as Level 2 fair value.

2. Information concerning Level 3 fair value for financial instruments recorded on the consolidated balance sheet at fair value

(1) Quantitative information concerning significant unobservable inputs

As of March 31, 2022

Category	Evaluation technique	Significant unobservable inputs	Scope of inputs
Operational investment securities			
Bonds payable	Discounted present value method	Discount rate	2.00%
Preferred securities / beneficial interest in trusts, etc.	Discounted present value method	Discount rate	5.60% - 11.49%

(2) Reconciliation from the balance at beginning of year to the balance at end of year,
unrealized gain and loss recognized in profit and loss for the period

As of March 31, 2022

	Millions of yen							Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	
		Recorded in profit and loss	Recorded in other comprehensive income (*1)					
Operational investment securities								
Bonds payable	¥ 5,000	¥ –	¥ 36	¥ 800	¥ –	¥ –	¥ 5,836	¥ –
Preferred securities / beneficial interest in trusts, etc.	3,403	–	437	1,756	–	–	5,597	–
Total	¥ 8,403	¥ –	¥ 474	¥ 2,556	¥ –	¥ –	¥ 11,434	¥ –

	Thousands of U.S. dollars							Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	
		Recorded in profit and loss	Recorded in other comprehensive income (*1)					
Operational investment securities								
Bonds payable	\$ 40,846	\$ –	\$ 301	\$ 6,535	\$ –	\$ –	\$ 47,683	\$ –
Preferred securities / beneficial interest in trusts, etc.	27,803	–	3,577	14,346	–	–	45,726	–
Total	\$ 68,650	\$ –	\$ 3,878	\$ 20,882	\$ –	\$ –	\$ 93,409	\$ –

*1. Included in “valuation difference on available-for-sale securities” under “other comprehensive income” in the consolidated statement of comprehensive income.

*2. There were no transfers from Level 2 fair value to Level 3 fair value during the fiscal year. Note that in the case of a transfer, such transfer occurs on the final day of the accounting period.

*3. There were no transfers from Level 3 fair value to Level 2 fair value during the fiscal year. Note that in the case of a transfer, such transfer occurs on the final day of the accounting period.

(3) Explanation of the fair value valuation process

The Group defines policies and procedures concerning the calculation of fair value in its accounting division and calculates fair value in that division in line with such policies and procedures. The calculated fair value is verified at the accounting division or the stand-alone finance division on the validity of the evaluation technique and inputs used in calculating fair value and the appropriateness of the categorization of fair value level.

When calculating fair value, a valuation model that can most appropriately reflect the nature, special characteristics and risk of the individual assets is applied. In addition, if using a market price obtained from a third-party, the evaluation technique and inputs used are confirmed and the validity of the price is verified by appropriate methods such as monthly trends analysis.

(4) Explanation concerning the impact on fair value if the significant unobservable inputs are changed

The discount rate, which is a significant unobservable inputs used in calculating fair value of items such as corporate bonds, is an adjustment rate relative to standard market interest rates such as TIBOR and swap rates. It mainly comprises the risk premium, which is the compensation required by market participants for the uncertainty of cash flows from financial instruments derived from credit risk. In general, a pronounced rise (fall) in the discount rate causes a pronounced fall (rise) in fair value.

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

As of March 31, 2022

	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	¥ 72,157	¥ –	¥ –	¥ –
Installment receivables	29,304	33,073	2,609	1,890
Lease receivables and investments in leases	314,971	534,633	115,684	54,474
Operating loans	67,514	211,312	33,559	4,246
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	–	28,415	25,893	17,327
Bonds (other)	–	–	–	–
Other	22,437	107,518	23,652	18,967
Total	¥ 506,386	¥ 914,953	¥ 201,399	¥ 96,906

	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	\$ 589,476	\$ –	\$ –	\$ –
Installment receivables	239,398	270,186	21,315	15,441
Lease receivables and investments in leases	2,573,087	4,367,563	945,056	445,020
Operating loans	551,547	1,726,270	274,157	34,691
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	–	232,134	211,531	141,551
Bonds (other)	–	–	–	–
Other	183,299	878,347	193,227	154,948
Total	\$ 4,136,807	\$ 7,474,499	\$ 1,645,286	\$ 791,652

As of March 31, 2021

	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	¥ 98,926	¥ –	¥ –	¥ –
Installment receivables	33,740	45,926	2,585	2,293
Lease receivables and investments in leases	302,286	601,362	127,095	50,053
Operating loans	52,752	223,130	25,935	4,817
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	4,804	19,751	31,855	–
Bonds (other)	–	–	–	–
Other	7,712	99,649	32,686	11,730
Total	¥ 500,222	¥ 989,819	¥ 220,157	¥ 68,894

5. 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, 2022

	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	¥ 568,563	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	371,000	–	–	–	–	–
Payables under securitization of lease receivables	29,400	–	–	–	–	–
Lease liabilities	4,316	3,043	1,639	749	579	1,028
Bonds payable	30,000	45,000	35,000	42,241	40,000	64,896
Long-term borrowings	328,958	296,393	199,744	117,713	69,308	96,298
Long-term payables under securitization of lease receivables	16,508	6,520	3,063	4,106	626	879
Total	¥ 1,348,747	¥ 350,957	¥ 239,447	¥ 164,810	¥ 110,515	¥ 163,103

	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	\$ 4,644,751	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial papers	3,030,798	–	–	–	–	–
Payables under securitization of lease receivables	240,176	–	–	–	–	–
Lease liabilities	35,264	24,862	13,394	6,125	4,735	8,404
Bonds payable	245,078	367,617	285,924	345,078	326,771	530,156
Long-term borrowings	2,687,350	2,421,318	1,631,768	961,630	566,202	786,685
Long-term payables under securitization of lease receivables	134,866	53,268	25,027	33,548	5,121	7,189
Total	\$ 11,018,282	\$ 2,867,065	\$ 1,956,113	\$ 1,346,381	\$ 902,829	\$ 1,332,434

As of March 31, 2021

	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	¥ 564,585	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	470,200	–	–	–	–	–
Payables under securitization of lease receivables	30,100	–	–	–	–	–
Lease liabilities	5,364	3,895	2,800	1,584	689	1,398
Bonds payable	30,000	30,000	45,000	35,000	31,072	50,000
Long-term borrowings	308,274	252,597	215,279	116,210	71,911	110,005
Long-term payables under securitization of lease receivables	32,117	20,650	6,923	7,354	3,587	124
Total	¥ 1,440,641	¥ 307,143	¥ 270,004	¥ 160,149	¥ 107,260	¥ 161,527

XIII. Securities

1. Other securities

As of March 31, 2022

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 65,844	¥ 15,346	¥ 50,498
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	97,338	95,700	1,638
	3) Other	–	–	–
	(3) Other	35,213	31,636	3,576
	Subtotal	198,396	142,683	55,713
Securities whose book value does not exceed their acquisition cost	(1) Shares	2,513	2,864	(351)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	17,163	17,400	(236)
	3) Other	–	–	–
	(3) Other	34,333	35,167	(833)
	Subtotal	54,010	55,432	(1,421)
	Total	¥ 252,407	¥ 198,115	¥ 54,291

	Type	Thousands of U.S. dollars		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	\$ 537,902	\$ 125,370	\$ 412,532
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	795,185	781,799	13,387
	3) Other	–	–	–
	(3) Other	287,667	258,450	29,217
	Subtotal	1,620,754	1,165,619	455,135
Securities whose book value does not exceed their acquisition cost	(1) Shares	20,534	23,402	(2,868)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	140,212	142,145	(1,933)
	3) Other	–	–	–
	(3) Other	280,483	287,293	(6,810)
	Subtotal	441,229	452,841	(11,612)
	Total	\$ 2,061,983	\$ 1,618,460	\$ 443,523

Note: Unlisted shares, etc. (Book value ¥148,390 million (U.S.\$1,212,244 thousand)) are not included in the above “Other securities” because their market values are not available.

As of March 31, 2021

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 74,966	¥ 15,983	¥ 58,982
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	91,975	90,300	1,675
	3) Other	–	–	–
	(3) Other	59,109	55,071	4,038
	Subtotal	226,051	161,354	64,696
Securities whose book value does not exceed their acquisition cost	(1) Shares	1,815	2,145	(330)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	7,999	8,000	(0)
	3) Other	–	–	–
	(3) Other	12,805	12,928	(123)
	Subtotal	22,620	23,074	(454)
Total		¥ 248,671	¥ 184,429	¥ 64,241

Note: Unlisted shares, etc. (Book value ¥118,042 million) are not included in the above “Other securities” because their market values are not available.

2. Other securities sold

FY2021 (From April 1, 2021 to March 31, 2022)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 1,160	¥ 840	¥ -
(2) Bonds			
1) Government bonds and local government bonds, etc.	-	-	-
2) Corporate bonds	-	-	-
3) Other	-	-	-
(3) Other	2,480	481	-
Total	¥ 3,640	¥ 1,322	¥ -

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain	Total loss
(1) Shares	\$ 9,479	\$ 6,868	\$ -
(2) Bonds			
1) Government bonds and local government bonds, etc.	-	-	-
2) Corporate bonds	-	-	-
3) Other	-	-	-
(3) Other	20,264	3,934	-
Total	\$ 29,743	\$ 10,802	\$ -

FY2020 (From April 1, 2020 to March 31, 2021)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 7	¥ 2	¥ -
(2) Bonds			
1) Government bonds and local government bonds, etc.	-	-	-
2) Corporate bonds	-	-	-
3) Other	-	-	-
(3) Other	-	-	-
Total	¥ 7	¥ 2	¥ -

3. Impairment losses on securities

During the fiscal year ended March 31, 2022, impairment loss recorded on securities amounted to ¥544 million (U.S.\$4,448 thousand) (securities classified as other securities, etc.: ¥544 million (U.S.\$4,448 thousand)) and during the fiscal year ended March 31, 2021, impairment loss recorded on securities amounted to ¥1 million (securities classified as other securities: ¥1 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, 2022 and 2021.

XIV. Derivatives

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency-related derivatives

As of March 31, 2022

Not applicable

As of March 31, 2021

Not applicable

(2) Interest rate-related

As of March 31, 2022

Not applicable

As of March 31, 2021

Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related derivatives

As of March 31, 2022

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Currency swap contracts Receive yen, pay Thai baht	Borrowings	¥ 519	¥ –	¥ (25)
Total			¥ 519	¥ –	¥ (25)

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	Currency swap contracts Receive yen, pay Thai baht	Borrowings	\$ 4,246	\$ –	\$ (207)
Total			\$ 4,246	\$ –	\$ (207)

As of March 31, 2021

Not applicable

(2) Interest rate-related

As of March 31, 2022

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	¥ 79,840	¥ 42,480	¥ (354)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	15,637	8,037	1,343
Total			¥ 95,478	¥ 50,518	¥ 988

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	\$ 652,242	\$ 347,035	\$ (2,900)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	127,751	65,664	10,974
Total			\$ 779,992	\$ 412,699	\$ 8,075

As of March 31, 2021

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	¥ 86,031	¥ 70,750	¥ (582)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	23,212	15,822	(122)
Total			¥ 109,243	¥ 86,572	¥ (704)

XV. 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.

In the fiscal year ended March 31, 2022, a ¥9 million (U.S.\$74 thousand) loss on revision of retirement benefit plan as a result of a change in the termination allowance plan of one domestic consolidated subsidiary was recorded in extraordinary losses. In addition, due to the transition from the defined-benefit corporate pension plan to the defined contribution plan a ¥10 million (U.S.\$83 thousand) gain was recorded in extraordinary income.

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 U.S. dollars	
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)	
Retirement benefit obligations at beginning of year	¥ 12,217	¥ 11,841	\$ 99,805	
Service cost	574	558	4,690	
Interest cost	65	59	531	
Actuarial gains or losses	46	(121)	380	
Retirement benefits paid	(535)	(452)	(4,373)	
Decrease due to the transition to the defined-contribution pension plan	(52)	—	(431)	
Increase by the new consolidated subsidiary	1,023	331	8,358	
Retirement benefit obligations at end of year	¥ 13,337	¥ 12,217	\$ 108,960	

Note: Service costs and interest costs are included in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statement of income.

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

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Plan assets at beginning of year	¥ 11,731	¥ 10,360	\$ 95,841
Expected return on plan assets	212	207	1,738
Actuarial gains or losses	(55)	734	(452)
Contribution from employer	480	477	3,926
Retirement benefits paid	(476)	(440)	(3,894)
Decrease due to the transition to the defined-contribution pension plan	(3)	-	(30)
Increase by the new consolidated subsidiary	-	391	-
Plan assets at end of year	¥ 11,889	¥ 11,731	\$ 97,129

(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, 2022	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations for funded pension plans	¥ 13,337	¥ 12,217	\$ 108,960
Plan assets	(11,889)	(11,731)	(97,129)
Net assets or liabilities recorded in the consolidated balance sheets	1,448	485	11,830
Retirement benefit liability	1,536	549	12,550
Retirement benefit asset	(88)	(64)	(720)
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,448	¥ 485	\$ 11,830

(4) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Service cost	¥ 574	¥ 558	\$ 4,690
Interest cost	65	59	531
Expected return on plan assets	(212)	(207)	(1,738)
Amortization of actuarial loss	135	(668)	1,109
Other	(66)	(37)	(542)
Retirement benefit expenses for defined- benefit pension plan	¥ 495	¥ (295)	\$ 4,050

Note: Retirement benefit expenses are included in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statement of income.

(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	
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)	
Actuarial gains or losses	¥ 39	¥ 179	\$ 326	

(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, 2022	As of March 31, 2021	As of March 31, 2022	
Unrecognized actuarial gains or losses	¥ (42)	¥ (2)	\$ (347)	

(7) Plan assets

1) Breakdown of plan assets

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

	As of March 31, 2022	As of March 31, 2021
	%	%
Bonds	37	35
Shares	17	21
Cash and deposits	5	4
General account	31	30
Other	10	10
Total	100	100

Note: The total includes retirement benefits trust established for corporate pension plan at 4% in the fiscal year ended March 31, 2022 and 5% in the fiscal year ended March 31, 2021.

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, 2022	As of March 31, 2021
	%	%
Discount rate	0.10 - 1.00	0.10 - 0.98
Expected long-term rate of return	1.00 - 2.50	1.00 - 2.50
Expected increase in salary	1.28 - 3.75	1.28 - 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	
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)	
Retirement benefit liability at beginning of year	¥ 752	¥ 696	\$ 6,147	
Retirement benefit expenses	130	142	1,068	
Retirement benefits paid	(87)	(87)	(717)	
Increase by the new consolidated subsidiary	643	–	5,254	
Retirement benefit liability at end of year	¥ 1,438	¥ 752	\$ 11,751	

Note: Retirement benefit expenses are included in “Cost of sales” and “Selling, general and administrative expenses” on the consolidated statement of income.

(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, 2022	As of March 31, 2021	As of March 31, 2022	
Retirement benefit obligations for funded pension plans	¥ 540	¥ 514	\$ 4,416	
Plan assets	(165)	(156)	(1,355)	
	374	358	3,062	
Retirement benefit obligations for unfunded pension plans	1,063	394	8,689	
Net assets or liabilities recorded in the consolidated balance sheets	1,438	752	11,751	
Retirement benefit liability	1,438	752	11,751	
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,438	¥ 752	\$ 11,751	

(3) Retirement benefit expenses

Retirement benefit expenses calculated by simplified accounting method

FY2021 (April 1, 2021 - March 31, 2022): ¥130 million (U.S.\$1,068 thousand)

FY2020 (April 1, 2020 - March 31, 2021): ¥142 million

Note: Retirement benefit expenses are included in “Cost of sales” and “Selling, general and administrative expenses” on the consolidated statement of income.

4. Defined contribution plan

In the fiscal years ended March 31, 2022 and 2021 the amount required to be contributed by the Company and consolidated subsidiaries to the defined-contribution pension plan amounted to ¥155 million (U.S.\$1,270 thousand) and ¥82 million, respectively.

Note: The amounts are included in “Cost of sales” and “Selling, general and administrative expenses” on the consolidated statement of income.

5. Multi-employer type of pension plan

In the fiscal years ended March 31, 2022 and 2021 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 ¥244 million (U.S.\$1,997 thousand) and ¥236 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
	As of March 31, 2022		As of March 31, 2021		U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
Amount of plan assets	¥	16,327	¥	13,756	\$ 133,384
Actuarial liability under pension funding programs		17,759		17,526	145,079
Difference	¥	(1,431)	¥	(3,769)	\$ (11,695)

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

FY2021: 14.624% (From April 1, 2021 to March 31, 2022)

FY2020: 14.395% (From April 1, 2020 to March 31, 2021)

(3) Supplementary explanation

The main reasons for the difference in (1) above are the balance of prior service obligations under pension funding programs (¥6,741 million (U.S.\$55,069 thousand) in the fiscal year ended March 31, 2022, ¥7,498 million in the fiscal year ended March 31, 2021), General reserve (¥3,728 million (U.S.\$30,460 thousand) in the fiscal year ended March 31, 2022, ¥3,927 million in the fiscal year ended March 31, 2021) 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, 2022, ¥– million in the fiscal year ended March 31, 2021).

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.

XVI. Stock options, etc.

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

Not applicable

2. Gains on expiration of unexercised stock options

	Millions of yen		Thousands of U.S. dollars
	FY2021 (From April 1, 2021 to March 31, 2022)	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
Non-operating income (Other)	¥ 12	¥ –	\$ 105

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, 2022 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	1,300	8,600	14,900
Vested	–	–	–
Exercised	–	–	1,400
Expired	–	–	–
Balance unexercised	1,300	8,600	13,500

	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	18,600	30,200	19,400
Vested	–	–	–
Exercised	–	–	800
Expired	–	3,300	1,800
Balance unexercised	18,600	26,900	16,800

	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	24,100	22,000	31,900
Vested	–	–	–
Exercised	1,600	1,800	2,500
Expired	–	–	–
Balance unexercised	22,500	20,200	29,400

	Stock options for 2017
Pre-vesting (shares)	
Previous fiscal year-end	–
Granted	–
Expired	–
Vested	–
Balance unvested	–
Post-vesting (shares)	
Previous fiscal year-end	21,300
Vested	–
Exercised	1,300
Expired	–
Balance unexercised	20,000

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	–	–	7,511
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	–	–	7,438
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	7,387	7,480	7,494
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		7,506
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.

XVII. 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, 2022	As of March 31, 2021	U.S. dollars
Deferred tax assets			
Excess of allowance for doubtful accounts	¥ 1,779	¥ 1,421	\$ 14,541
Guarantee deposits received	1,174	1,050	9,596
Retirement benefit liability	1,070	478	8,749
Accrued expenses	983	593	8,038
Provision for bonuses	855	675	6,987
Loss on valuation of investment securities, etc.	728	690	5,948
Asset retirement obligations	566	508	4,629
Enterprise taxes payable	554	626	4,532
Non-deductible consumption tax	500	570	4,088
Prepaid expenses	412	393	3,367
Revenue recognized for tax purposes	403	348	3,295
Gain on transfer of receivables	344	208	2,816
Excess of depreciation	260	336	2,130
Share-based payment expenses	199	215	1,628
Other	1,943	1,071	15,874
Subtotal deferred tax assets	11,778	9,191	96,219
Valuation allowance related to total deductible temporary differences	(120)	(90)	(988)
Subtotal valuation allowance (Note)	(120)	(90)	(988)
Total deferred tax assets	11,657	9,100	95,231
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥ (16,997)	¥ (19,783)	\$ (138,855)
Depreciation	(2,081)	(1,791)	(17,005)
Foreign subsidiary's unitary tax	(1,906)	(1,467)	(15,571)
Intangible assets	(1,545)	(1,414)	(12,626)
Gain on valuation of investment securities	(1,195)	(1,291)	(9,769)
Gain on transfer of receivables	(942)	(595)	(7,697)
Other	(1,134)	(908)	(9,271)
Total deferred tax liabilities	(25,803)	(27,253)	(210,793)
Net deferred tax liabilities	¥ (14,145)	¥ (18,152)	\$ (115,562)

Note: The amount of valuation allowance increased by ¥30 million (U.S.\$251 thousand) from the previous fiscal year. This increase was mainly due to an increase of ¥24 million (U.S.\$202 thousand) in valuation allowance for asset retirement obligations at a consolidated subsidiary.

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, 2022

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, 2021

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.

XVIII. Business combinations, etc.

Business combinations through acquisition

1. Overview of the business combination

(1) Names of acquired company and its business descriptions

Name of acquired company: WorkVision Corporation (hereinafter “WorkVision”)

Business description: The development, sales, operation and maintenance of cloud package focused IT solutions, etc.

(2) Reasons for the business combinations

Because while utilizing the corporation network and sales capabilities of the Company, we are building a structure that can develop business as a “Business Process Service” to realize the business reforms of our customers in terms of both “systems” and “operations” by combining “ICT Solutions” and “BPO Services” with WorkVision at the core, to meet the increasingly sophisticated and complex needs of our customers.

(3) Date of the business combinations

October 15, 2021

(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

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%

(7) Primary basis for the determination of the acquirer

It is because the Company acquired 100.00% of the issued shares of WorkVision.

2. Period for which operating results of the acquired company was included in the consolidated financial statements

From October 1, 2021 to March 31, 2022

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

Acquisition price	Cash and deposits	¥4,700 million	U.S.\$38,396 thousand
Acquisition cost		¥4,700 million	U.S.\$38,396 thousand

4. Details and amounts of main acquisition-related expenses

Compensation and fees, etc. from advisers, etc. ¥261 million (U.S.\$2,136 thousand)

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

(1) Amount of goodwill recognized

¥1,900 million (U.S.\$15,526 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 11 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	¥ 5,328	\$ 43,534
Non-current assets	1,427	11,664
Total assets	6,756	55,198
Current liabilities	2,662	21,748
Non-current liabilities	2,267	18,521
Total liabilities	¥ 4,929	\$ 40,269

7. Pro forma amounts of impact of the consolidated statement of income for the fiscal year ended March 31, 2022 assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method thereof

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 5,864	\$ 47,910
Operating profit	260	2,132
Ordinary profit	260	2,126
Profit before income taxes	260	2,126
Profit attributable to owners of parent	167	1,370
	Yen	U.S. dollars
Basic earnings per share	¥ 5.59	\$ 0.05

Method of calculating pro forma amount

The pro forma amount of the impact is the difference between net sales and profit or loss information calculated assuming that the business combination had been completed at the beginning of the fiscal year and net sales and profit or loss information in the consolidated statements of income of the acquired

company.

Please be advised that the notes stated above have not obtained audit certification.

Absorption-type merger of consolidated subsidiary

The Company conducted an absorption-type merger of NIHON CREDIT LEASE CORPORATION (hereinafter “NCL”), a consolidated subsidiary of the Company, dated January 1, 2022 based on a resolution of the Board of Directors held on November 5, 2021.

1. Overview of the business combination

(1) Name and business description of entity involved in business combination

Name:	NIHON CREDIT LEASE CORPORATION
Business description:	Leasing and installment sales of nursing care and welfare equipment, medical equipment, and information equipment

(2) Date of the business combinations

January 1, 2022

(3) Legal form of the business combinations

Absorption-type merger with the Company as the surviving company and NCL as the absorbed company

(4) Name of the companies after the business combination

Fuyo General Lease Co., Ltd.,

(5) Other matters related to overview of transaction

NCL became a wholly-owned consolidated subsidiary of the Company in April 2021, but NCL has been absorbed through a merger for the effective use of management resources and to improve the efficiency of business operations.

2. Overview of accounting treatment

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

XIX. Asset retirement obligations

This information has been omitted because of immateriality.

XX. 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 ¥6,307 million (U.S.\$51,532 thousand) and ¥6,256 million (lease income and lease cost were generally recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2022 and 2021, 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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Book value			
Beginning of year	¥ 344,843	¥ 246,844	\$ 2,817,122
Net change	52,326	97,998	427,472
End of year	397,170	344,843	3,244,595
Fair value at end of year	¥ 409,458	¥ 357,015	\$ 3,344,973

- 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 ¥174,318 million (U.S.\$1,424,058 thousand) and ¥127,180 million, in the fiscal years ended March 31, 2022 and 2021, 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, 2022. 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.

XXI. Revenue recognition

1. Information on disaggregation of revenue from contracts with customers

FY2021 (From April 1, 2021 to March 31, 2022)

	Millions of yen			
	Reportable segments			
	Lease and Installment Sales	Financing	Other	Total
Revenue from contracts with customers				
Revenue from sale of leased properties	¥ 118,898	¥ -	¥ -	¥ 118,898
Provision of services, etc.	2,952	25	40,741	43,720
Total	121,851	25	40,741	162,618
Other revenue	470,334	22,105	2,787	495,228
Revenues from external customers	¥ 592,186	¥ 22,131	¥ 43,529	¥ 657,847

	Thousands of U.S. dollars			
	Reportable segments			
	Lease and Installment Sales	Financing	Other	Total
Revenue from contracts with customers				
Revenue from sale of leased properties	\$ 971,315	\$ –	\$ –	\$ 971,315
Provision of services, etc.	24,121	212	332,829	357,162
Total	995,436	212	332,829	1,328,477
Other revenue	3,842,290	180,586	22,776	4,045,652
Revenues from external customers	\$ 4,837,726	\$ 180,798	\$ 355,605	\$ 5,374,129

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is described in “4. Summary of significant accounting policies (6) Recognition of significant revenues and expenses” under “Basis of presentation.”

XXII. 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-related businesses, fee handling, and BPO and mobility business, 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.

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

FY2021 (From April 1, 2021 to March 31, 2022)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 592,186	¥ 22,131	¥ 43,529	¥ 657,847
Transactions with other segments	1,230	3,488	2,127	6,847
Net sales	593,416	25,620	45,657	664,694
Segment profit	¥ 32,751	¥ 16,523	¥ 8,779	¥ 58,053
Segment assets	¥ 1,764,861	¥ 967,301	¥ 126,186	¥ 2,858,349
Other items				
Depreciation	46,175	–	3,069	49,244
Amortization of goodwill	70	324	1,010	1,405
Investments in entities accounted for using equity method	–	–	–	–
Increase in property, plant and equipment and intangible assets	¥ 220,598	¥ –	¥ 4,821	¥ 225,419

	Thousands of U.S. dollars			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	\$ 4,837,726	\$ 180,798	\$ 355,605	\$ 5,374,129
Transactions with other segments	10,055	28,502	17,381	55,937
Net sales	4,847,781	209,300	372,986	5,430,067
Segment profit	\$ 267,552	\$ 134,987	\$ 71,718	\$ 474,257
Segment assets	\$ 14,417,623	\$ 7,902,144	\$ 1,030,855	\$ 23,350,621
Other items				
Depreciation	377,219	–	25,075	402,294
Amortization of goodwill	577	2,650	8,253	11,480
Investments in entities accounted for using equity method	–	–	–	–
Increase in property, plant and equipment and intangible assets	\$ 1,802,128	\$ –	\$ 39,386	\$ 1,841,513

FY2020 (From April 1, 2020 to March 31, 2021)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 541,718	¥ 20,588	¥ 177,956	¥ 740,263
Transactions with other segments	1,282	3,454	1,995	6,732
Net sales	543,000	24,043	179,951	746,996
Segment profit	¥ 33,303	¥ 15,303	¥ 8,786	¥ 57,392
Segment assets	¥ 1,849,658	¥ 932,383	¥ 120,917	¥ 2,902,959
Other items				
Depreciation	41,128	–	3,114	44,243
Amortization of goodwill	49	324	952	1,326
Investments in entities accounted for using equity method	–	–	–	–
Increase in property, plant and equipment and intangible assets	¥ 144,656	¥ –	¥ 317	¥ 144,974

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 664,694	¥ 746,996	\$ 5,430,067
Eliminations	(6,847)	(6,732)	(55,937)
Net sales reported on the consolidated statements of income	¥ 657,847	¥ 740,263	\$ 5,374,129

Profit	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 58,053	¥ 57,392	\$ 474,257
Eliminations	(699)	(3,206)	(5,718)
Corporate expenses (Note)	(11,319)	(9,630)	(92,473)
Operating profit reported on the consolidated statements of income	¥ 46,034	¥ 44,555	\$ 376,067

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 2,858,349	¥ 2,902,959	\$ 23,350,621
Corporate assets (Note)	91,354	76,325	746,302
Total assets reported on the consolidated balance sheets	¥ 2,949,704	¥ 2,979,285	\$ 24,096,923

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 49,244	¥ 44,243	\$ 402,294
Adjustment	1,789	1,907	14,621
Amounts reported on the consolidated financial statements	¥ 51,034	¥ 46,150	\$ 416,915

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

Amortization of goodwill	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 1,405	¥ 1,326	\$ 11,480
Adjustment	—	—	—
Amounts reported on the consolidated financial statements	¥ 1,405	¥ 1,326	\$ 11,480

Investments in entities accounted for using equity method	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ —	¥ —	\$ —
Adjustment	42,075	28,942	343,726
Amounts reported on the consolidated financial statements	¥ 42,075	¥ 28,942	\$ 343,726

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 225,419	¥ 144,974	\$ 1,841,513
Adjustment	2,179	4,177	17,804
Amounts reported on the consolidated financial statements	¥ 227,599	¥ 149,152	\$ 1,859,317

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

FY2021 (From April 1, 2021 to March 31, 2022)

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

FY2020 (From April 1, 2020 to March 31, 2021)

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

2. Information for each region

FY2021 (From April 1, 2021 to March 31, 2022)

(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

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
¥ 588,509	¥ 21,895	¥ 116,431	¥ 27	¥ 121	¥ 726,984

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
\$ 4,807,691	\$ 178,869	\$ 951,160	\$ 221	\$ 992	\$ 5,938,934

- 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, Taiwan, Singapore, Thailand

FY2020 (From April 1, 2020 to March 31, 2021)

(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

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
¥ 546,417	¥ 8,656	¥ 116,509	¥ 2	¥ 5,792	¥ 677,379

- 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, Taiwan, Singapore, Malaysia

3. Information for each of main customers

FY2021 (From April 1, 2021 to March 31, 2022)

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.

FY2020 (From April 1, 2020 to March 31, 2021)

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

FY2021 (From April 1, 2021 to March 31, 2022)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ 2,048	¥ –	¥ 642	¥ –	¥ 2,690

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	\$ 16,734	\$ –	\$ 5,246	\$ –	\$ 21,980

Note: The impairment losses on “Lease and Installment Sales” are recorded in cost of sales.

FY2020 (From April 1, 2020 to March 31, 2021)

Millions of yen

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

Amortization and unamortized balance of goodwill for each reportable segment

FY2021 (From April 1, 2021 to March 31, 2022)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ 196	¥ 4,784	¥ 16,252	¥ –	¥ 21,234

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	\$ 1,608	\$ 39,089	\$ 132,774	\$ –	\$ 173,472

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

FY2020 (From April 1, 2020 to March 31, 2021)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ 246	¥ 5,109	¥ 15,362	¥ –	¥ 20,718

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

Information about gain on bargain purchase for each reportable segment

FY2021 (From April 1, 2021 to March 31, 2022)

Not applicable

FY2020 (From April 1, 2020 to March 31, 2021)

Not applicable

XXIII. 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.

FY2021 (From April 1, 2021 to March 31, 2022)

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	¥111,609	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	¥4,710	Lease receivables and investments in leases	¥63,012
							Purchase of operating assets	¥26,960		
							Sale of operating assets	¥2,559		

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	End of year (Thousands of U.S. dollars)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	\$911,764	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	\$38,479	Lease receivables and investments in leases	\$514,769
							Purchase of operating assets	\$220,243		
							Sale of operating assets	\$20,905		

- Notes: 1. Lease transactions are concluded upon submission of estimates based on actual market conditions, and are subject to the same terms and conditions as general transactions.
2. The purchase and sale 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, 2022.

FY2020 (From April 1, 2020 to March 31, 2021)

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 payments received	¥4,752	Lease receivables and investments in leases	¥62,888
							Purchase of operating assets	¥23,069		
							Sale of operating assets	¥4,644		

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

2. Lease transactions are concluded upon submission of estimates based on actual market conditions, and are subject to the same terms and conditions as general transactions.

3. The purchase and sale 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, 2021.

(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.

FY2021 (From April 1, 2021 to March 31, 2022)

Not applicable

FY2020 (From April 1, 2020 to March 31, 2021)

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.

XXIV. 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, 2022	As of March 31, 2021	As of March 31, 2022
Number of special purpose entities	Two companies	Two companies	Two companies
Total value of assets as of the latest balance sheet (without elimination of inter-company transactions)	¥ 19,608	¥ 4,219	\$ 160,185
Total value of liabilities as of the latest balance sheet (without elimination of inter-company transactions)	19,603	4,214	160,150

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

FY2021 (From April 1, 2021 to March 31, 2022)

	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	¥ 15,996	Gain on transfer (Note 2)	¥ 141

	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	\$ 130,678	Gain on transfer (Note 2)	\$ 1,157

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.

FY2020 (From April 1, 2020 to March 31, 2021)

	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	¥ 289	Gain on transfer (Note 2)	¥ 4

- 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.

XXV. Per share information

	Yen		U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Net assets per share	¥ 11,121.96	¥ 10,153.22	\$ 90.86
Basic earnings per share	1,130.52	986.18	9.24
Diluted earnings per share	1,123.38	979.39	9.18

- 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 177,100 shares for the fiscal year ended March 31, 2022 and 96,700 shares for the fiscal year ended March 31, 2021.
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 121,150 shares for the fiscal year ended March 31, 2022 and 97,065 shares for the fiscal year ended March 31, 2021.
3. Calculation basis of net assets per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Total net assets	¥ 374,239	¥ 344,796	\$ 3,057,265
Amounts excluded from total net assets	41,405	40,231	338,254
Of which, share acquisition rights	650	704	5,316
Of which, non-controlling interests	40,754	39,527	332,937
Net assets attributable to common shares	332,834	304,565	2,719,012
Number of common shares as of the fiscal year-end used in the calculation of net assets per share (thousands shares)	29,925	29,996	29,925

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

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Basic earnings per share			
Profit attributable to owners of parent	¥ 33,886	¥ 29,566	\$ 276,828
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	33,886	29,566	276,828
Average number of shares during the period (thousands shares)	29,974	29,981	29,974
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ —	¥ —	\$ —
Increase in the number of common shares (thousands shares)	190	207	190
Residual securities that are not dilutive and not included in the calculation of diluted earnings per share	—	—	—

XXVI. Subsequent events

Transactions under common control etc.

Additional acquisition of subsidiary shares

1. Overview of the transaction

(1) Name and business description of entity involved in business combination

Name of the entity: Kabushiki Kaisha GI Holdings

Business description: Acquisition, holding and disposal of shares, investments and other equity and bonds of stock companies and other corporations, purchase and sale of trust beneficiary rights, purchase of monetary claims, real estate investment, securities investment, asset management business, solutions business, and other businesses

(2) Date of the business combinations

April 1, 2022

(3) Legal form of the business combinations

Acquisition of shares from a non-controlling shareholder

(4) Name of the companies after the business combination

No change

(5) Other matters related to overview of transaction

The Company additionally acquired all shares held by the non-controlling shareholder. As a result of this additional acquisition of shares, the entity and its subsidiary, INVOICE INC., became wholly owned subsidiaries of the Company.

2. Overview of accounting treatment to be implemented

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, January 16, 2019), the Company treated the transaction as a transaction with a non-controlling shareholder among transactions under common control, etc.

3. Matters concerning the additional acquisition of subsidiary shares

Acquisition price	Cash and deposits	¥6,869 million	U.S.\$56,119 thousand
Acquisition cost		¥6,869 million	U.S.\$56,119 thousand

4. Matters concerning a change in initial equity related to transactions with non-controlling shareholders

(1) Main reasons for the change in capital surplus

Additional acquisition of subsidiary shares

(2) Amount of capital surplus reduced by transactions with non-controlling shareholders

¥5,376 million (U.S.\$43,918 thousand)

Corporate bond issuance

The Company issued straight bonds as follows:

- (1) Issue name: Fuyo General Lease Co., Ltd., No. 33 unsecured straight bond
- (2) Issuance amount: ¥30,000 million (U.S.\$245,078 thousand)
- (3) Issuance date: April 28, 2022
- (4) Issue price: ¥100 per ¥100 of face value
- (5) Coupon rate: 0.400% per year
- (6) Redemption date: April 28, 2027
- (7) Use of proceeds: To fund capital investments

In addition, the Company filed the amendment to Shelf Registration Statements concerning the issuance of public hybrid corporate bonds (subordinated bonds) for an amount up to ¥30.0 billion (U.S.\$245,078 thousand) to the Director-General of the Kanto Local Finance Bureau on May 10, 2022.