

## Independent Auditor's Report

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

### *The Audit of the Consolidated Financial Statements*

#### **Opinion**

We have audited the accompanying consolidated financial statements of Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, 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, 2024, 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>Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group) is engaged in leasing, installment sales, commercial loan origination, and other financial services. The Group recorded assets for lease of ¥936,396 million in property, plant and equipment, at cost less accumulated depreciation on the consolidated balance sheets for the fiscal year ended March 31, 2024. Real estate lease assets with a carrying amount of ¥563,759 million were recognized as described in Note XIX, "Real estate leasing business," to the consolidated financial statements. These assets account for 17% of consolidated total assets.</p> <p>As described in "4. Summary of significant accounting policies," "(2) Depreciation and amortization" under Note I, "Basis of presentation," 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 each property in real estate lease transactions is significant and operating lease transactions are not full payout, an inappropriate 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, the remaining number of years, and the type of lease payments:</p> <p>(1) Audit procedures performed for selected assets acquired in the current year</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• In addition, we evaluated the inputs such as rents and the occupancy rates of the properties, which form the basis for calculating future cash flows, by comparing such inputs with past results and available external data.</li> <li>• Further, we recalculated the residual value to evaluate the Group's estimation process.</li> </ul> <p>(2) Audit procedures performed for selected assets acquired in previous years</p> <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> <p>(3) Audit procedures performed for selected assets sold during the current year</p> <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>

Determinations regarding 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 ¥23,256 million on the consolidated balance sheets for the fiscal year ended March 31, 2024, which consists of goodwill mainly related to the acquisition of Accretive Co., Ltd., INVOICE Inc., LN Holdings, Co., Ltd., Yamato Lease Co., Ltd., WorkVision Co., Ltd., and Pacific Rim Capital, Inc.</p> <p>As described in “4. Summary of significant accounting policies,” “(9) Amortization method and period of goodwill” under Note I, “Basis of presentation,” 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 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 undiscounted future cash flows is less than the carrying amount of the cash generating unit (CGU), an impairment loss on goodwill must be recognized. Note that, as described in “*3 Impairment losses” under “Notes for consolidated statements of income,” the Group recorded impairment losses of ¥660 million for Human Centrix Co., Ltd. on the consolidated statements of income for fiscal year ended March 31, 2024.</p> <p>The Group determines whether there are any indications of impairment by, for example, 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, the Group measures the recoverable amount of the CGU to which goodwill belongs at its value in use, and value in use is calculated based on future cash flows and discount rates. This involves management judgment and expertise related to valuations.</p> <p>Based on the above, we have determined the determinations regarding 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 indications of impairment of the CGU to which goodwill belongs.</p> <ul style="list-style-type: none"> <li>• In order to evaluate determinations by the Group regarding the possibility of significant deterioration in the operating environment, we performed a comparative analysis between the initial business plan at the time of acquisition of each subsidiary and 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.</li> <li>• In order to evaluate determinations by the Group regarding the possibility of significant future deterioration in the operating environment, 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.</li> <li>• In order to evaluate the Group's determination of whether any changes have occurred or are expected to occur, which significantly reduce the recoverable amounts, we made inquiries of management and inspected related materials to consider the consistency between the initial business plan of each subsidiary and the Group's overall business policy for the current and following fiscal years, and between the initial business plan of each subsidiary and the Group's medium-term business plan.</li> </ul> <p>Further, we performed the following audit procedures, among others, to evaluate the Group's measurement of impairment loss on goodwill for the CGU to which goodwill belongs.</p> <ul style="list-style-type: none"> <li>• Regarding the business plan that forms the basis for the estimate of future cash flows, we inspected related materials and performed a comparative analysis between the business plan and actual financial results. In addition, we made inquiries of management and considered the consistency of their answers with the business plan.</li> <li>• We involved the valuation experts from our network firm to evaluate the basis for calculation such as discount rates and to perform recalculations.</li> </ul>

## **Other Information**

Other information comprises the information included in disclosure documents that contain 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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.

### **Fee-related Information**

The fees for the audits of the financial statements of Fuyo General Lease Co., Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 224 million yen and 39 million yen, respectively.



## **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.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

August 9, 2024

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/s/Yuji Ozawa  
Designated Engagement Partner  
Certified Public Accountant

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/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, 2024	As of March 31, 2023	As of March 31, 2024
Assets				
Current assets				
Cash and deposits	3	¥ 140,804	¥ 121,227	\$ 930,018
Installment receivables	3, 9	50,984	53,491	336,754
Lease receivables and investments in leases	3, 9	858,731	890,802	5,671,942
Operating loans		339,872	328,697	2,244,862
Accounts receivable - other loans to customers	3, 7	132,002	118,529	871,877
Operational investment securities	2	491,466	454,966	3,246,145
Other operating assets		31,967	33,210	211,144
Accounts receivable - lease	3, 9	28,620	26,172	189,041
Other		94,511	72,698	624,251
Allowance for doubtful accounts		(2,536)	(2,672)	(16,754)
Total current assets		2,166,425	2,097,123	14,309,282
Non-current assets				
Property, plant and equipment				
Assets for lease				
Assets for lease	1, 3, 7	936,038	797,218	6,182,553
Advances for purchase of assets for lease		357	839	2,363
Total assets for lease		936,396	798,057	6,184,916
Other operating assets	1, 3	38,796	29,407	256,253
Construction in progress		—	10,732	—
Own-used assets	1	3,386	3,872	22,370
Total property, plant and equipment		978,579	842,070	6,463,539
Intangible assets				
Assets for lease		88	138	584
Other intangible assets				
Goodwill		23,256	25,707	153,608
Other		14,290	15,278	94,386
Total other intangible assets		37,546	40,986	247,994
Total intangible assets		37,634	41,124	248,578
Investments and other assets				
Investment securities	2, 3	158,182	125,286	1,044,800
Distressed receivables		26	439	173
Retirement benefit asset		2,176	523	14,373
Deferred tax assets		4,229	2,897	27,933
Other		42,551	41,740	281,056
Allowance for doubtful accounts		(1)	(231)	(13)
Total investments and other assets		207,163	170,656	1,368,322
Total non-current assets		1,223,378	1,053,851	8,080,438
Deferred assets				
Organization expenses		3	4	22
Business commencement expenses		517	645	3,421
Total deferred assets		521	649	3,443
Total assets		¥ 3,390,324	¥ 3,151,624	\$ 22,393,164

The accompanying notes are an integral part of these statements.

		Millions of yen		Thousands of U.S. dollars (Note 1)
	Notes	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Liabilities				
Current liabilities				
Notes and accounts payable - trade	9	¥ 36,467	¥ 33,916	\$ 240,870
Short-term borrowings		558,104	584,811	3,686,289
Current portion of bonds payable		35,000	45,000	231,176
Current portion of long-term borrowings	3, 7	422,660	393,529	2,791,684
Commercial papers		276,000	306,000	1,822,985
Payables under securitization of lease receivables	8	13,000	24,200	85,865
Current portion of long-term payables under securitization of lease receivables	3, 8	2,464	5,628	16,280
Lease liabilities		5,841	7,500	38,580
Income taxes payable		7,617	7,359	50,315
Deferred profit on installment sales		1,078	699	7,122
Provision for bonuses		3,257	3,002	21,517
Provision for bonuses for directors (and other officers)		224	210	1,486
Provision for share awards for directors (and other officers)		202	21	1,338
Provision for future lease payments		6	4	45
Provision for loss on guarantees		19	24	126
Other	3	59,367	67,122	392,125
Total current liabilities		1,421,313	1,479,030	9,387,803
Non-current liabilities				
Bonds payable		393,495	316,397	2,599,042
Long-term borrowings	3, 7	976,080	829,614	6,447,032
Long-term payables under securitization of lease receivables	3, 8	5,790	8,725	38,243
Lease liabilities		151	272	999
Deferred tax liabilities		27,461	19,553	181,386
Retirement benefit liability		2,271	3,122	15,006
Provision for retirement benefits for directors (and other officers)		253	378	1,677
Provision for share awards for directors (and other officers)		638	606	4,219
Provision for maintenance costs		931	314	6,156
Provision for loss on guarantees		285	365	1,884
Asset retirement obligations		5,519	4,147	36,456
Other		78,804	78,898	520,508
Total non-current liabilities		1,491,684	1,262,396	9,852,607
Total liabilities		2,912,998	2,741,426	19,240,410



	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Net assets				
Shareholders' equity				
Share capital		10,532	10,532	69,565
Capital surplus		1,902	1,902	12,569
Retained earnings		342,268	306,782	2,260,689
Treasury shares		(1,532)	(2,067)	(10,119)
Total shareholders' equity		353,171	317,149	2,332,704
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		61,773	36,000	408,013
Deferred gains or losses on hedges		(11,953)	(4,608)	(78,950)
Foreign currency translation adjustment		28,268	17,936	186,715
Remeasurements of defined benefit plans		415	163	2,743
Total accumulated other comprehensive income		78,504	49,492	518,521
Share acquisition rights		289	541	1,909
Non-controlling interests		45,362	43,012	299,620
Total net assets		477,326	410,197	3,152,754
Total liabilities and net assets		¥ 3,390,324	¥ 3,151,624	\$ 22,393,164

The accompanying notes are an integral part of these statements.

**Consolidated statements of income and statements of comprehensive income**  
**Consolidated statements of income**

		Millions of yen		Thousands of U.S. dollars (Note I)
	Notes	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Net sales	1	¥ 708,538	¥ 688,655	\$ 4,679,909
Cost of sales	3	598,967	591,338	3,956,194
Gross profit		109,570	97,316	723,715
Selling, general and administrative expenses	2	49,524	45,755	327,109
Operating profit		60,046	51,561	396,607
Non-operating income				
Interest income		259	78	1,715
Dividend income		2,925	2,357	19,321
Foreign exchange gains		—	437	—
Gain on investments in investment partnerships		76	252	507
Share of profit of entities accounted for using equity method		6,660	6,028	43,990
Recoveries of written off receivables		61	95	409
Reversal of provision for loss on guarantees		86	81	568
Other		1,060	575	7,003
Total non-operating income		11,129	9,906	73,513
Non-operating expenses				
Interest expenses		1,824	1,017	12,052
Bond issuance costs		58	78	389
Foreign exchange losses		198	—	1,311
Loss on investments in investment partnerships		92	100	609
Distributions of profit or loss on silent partnerships		589	458	3,893
Other		56	114	376
Total non-operating expenses		2,820	1,768	18,629
Ordinary profit		68,355	59,699	451,491
Extraordinary income				
Gain on sale of investment securities		737	64	4,872
Total extraordinary income		737	64	4,872
Extraordinary losses				
Loss on sale of investment securities		47	—	312
Loss on valuation of investment securities		84	256	558
Loss on step acquisitions		—	85	—
Loss on liquidation of subsidiaries and associates	5	—	1,349	—
Impairment losses	3	2,079	0	13,737
Loss on disposal of non-current assets	4	33	41	219
Total extraordinary losses		2,244	1,734	14,827
Profit before income taxes		66,848	58,029	441,536
Income taxes - current		20,376	16,658	134,588
Income taxes - deferred		(3,193)	494	(21,096)
Total income taxes		17,182	17,152	113,491
Profit		49,665	40,876	328,044
Profit attributable to non-controlling interests		2,446	1,936	16,161
Profit attributable to owners of parent		¥ 47,219	¥ 38,939	\$ 311,884

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 I)
		FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Profit		¥ 49,665	¥ 40,876	\$ 328,044
Other comprehensive income				
Valuation difference on available-for-sale securities		25,781	(2,529)	170,287
Deferred gains or losses on hedges		(7,243)	(687)	(47,846)
Foreign currency translation adjustment		9,873	12,464	65,213
Remeasurements of defined benefit plans, net of tax		185	163	1,224
Share of other comprehensive income of entities accounted for using equity method		1,134	26	7,496
Total other comprehensive income	1	29,731	9,437	196,374
Comprehensive income		¥ 79,396	¥ 50,314	\$ 524,418
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		¥ 76,230	¥ 48,307	\$ 503,504
Comprehensive income attributable to non-controlling interests		3,166	2,006	20,915

The accompanying notes are an integral part of these statements.

## Consolidated statements of changes in equity

FY2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 10,532	¥ 1,902	¥ 306,782	¥ (2,067)	¥ 317,149
Changes during period					
Dividends of surplus			(11,464)		(11,464)
Profit attributable to owners of parent			47,219		47,219
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(268)	536	267
Purchase of shares of consolidated subsidiaries					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	35,486	535	36,021
Balance at end of period	¥ 10,532	¥ 1,902	¥ 342,268	¥ (1,532)	¥ 353,171

(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	¥ 36,000	¥ (4,608)	¥ 17,936	¥ 163	¥ 49,492	¥ 541	¥ 43,012	¥ 410,197
Changes during period								
Dividends of surplus								(11,464)
Profit attributable to owners of parent								47,219
Purchase of treasury shares								(0)
Disposal of treasury shares								267
Purchase of shares of consolidated subsidiaries								—
Net changes in items other than shareholders' equity	25,772	(7,345)	10,331	251	29,011	(252)	2,349	31,107
Total changes during period	25,772	(7,345)	10,331	251	29,011	(252)	2,349	67,129
Balance at end of period	¥ 61,773	¥ (11,953)	¥ 28,268	¥ 415	¥ 78,504	¥ 289	¥ 45,362	¥ 477,326

## FY2022 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 10,532	¥ 7,278	¥ 277,361	¥ (2,463)	¥ 292,709
Changes during period					
Dividends of surplus			(9,425)		(9,425)
Profit attributable to owners of parent			38,939		38,939
Purchase of treasury shares					—
Disposal of treasury shares			(93)	396	302
Purchase of shares of consolidated subsidiaries		(5,376)			(5,376)
Net changes in items other than shareholders' equity					
Total changes during period	—	(5,376)	29,420	396	24,440
Balance at end of period	¥ 10,532	¥ 1,902	¥ 306,782	¥ (2,067)	¥ 317,149

(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	¥ 38,547	¥ (3,932)	¥ 5,509	¥ (0)	¥ 40,124	¥ 650	¥ 40,754	¥ 374,239
Changes during period								
Dividends of surplus								(9,425)
Profit attributable to owners of parent								38,939
Purchase of treasury shares								—
Disposal of treasury shares								302
Purchase of shares of consolidated subsidiaries								(5,376)
Net changes in items other than shareholders' equity	(2,546)	(675)	12,426	163	9,368	(108)	2,258	11,517
Total changes during period	(2,546)	(675)	12,426	163	9,368	(108)	2,258	35,957
Balance at end of period	¥ 36,000	¥ (4,608)	¥ 17,936	¥ 163	¥ 49,492	¥ 541	¥ 43,012	¥ 410,197

FY2023 (From April 1, 2023 to March 31, 2024)

(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	\$ 69,565	\$ 12,569	\$ 2,026,302	\$ (13,655)	\$ 2,094,781
Changes during period					
Dividends of surplus			(75,724)		(75,724)
Profit attributable to owners of parent			311,884		311,884
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares			(1,773)	3,542	1,769
Purchase of shares of consolidated subsidiaries					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	234,387	3,536	237,923
Balance at end of period	\$ 69,565	\$ 12,569	\$ 2,260,689	\$ (10,119)	\$ 2,332,704

(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	\$ 237,786	\$ (30,436)	\$ 118,473	\$ 1,079	\$ 326,901	\$ 3,579	\$ 284,101	\$ 2,709,362
Changes during period								
Dividends of surplus								(75,724)
Profit attributable to owners of parent								311,884
Purchase of treasury shares								(6)
Disposal of treasury shares								1,769
Purchase of shares of consolidated subsidiaries								—
Net changes in items other than shareholders' equity	170,227	(48,514)	68,243	1,664	191,620	(1,670)	15,518	205,469
Total changes during period	170,227	(48,514)	68,243	1,664	191,620	(1,670)	15,518	443,391
Balance at end of period	\$ 408,013	\$ (78,950)	\$ 186,715	\$ 2,743	\$ 518,521	\$ 1,909	\$ 299,620	\$ 3,152,754

The accompanying notes are an integral part of these statements.

## Consolidated statements of cash flows

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Cash flows from operating activities				
Profit before income taxes	¥	66,848	¥ 58,029	\$ 441,536
Depreciation of assets for lease		45,382	40,595	299,752
Loss on retirement of assets for lease and cost of property for lease sales		184,363	90,840	1,217,728
Depreciation of other operating assets		3,245	2,559	21,437
Depreciation		3,414	2,739	22,550
Amortization of goodwill		1,810	1,619	11,960
Impairment losses		2,079	0	13,737
Increase (decrease) in allowance for doubtful accounts		(699)	(601)	(4,619)
Increase (decrease) in provision for bonuses and bonuses for directors (and other officers)		269	167	1,780
Increase (decrease) in provision for future lease payments		2	0	15
Increase (decrease) in provision for retirement benefits for directors (and other officers)		(124)	207	(821)
Increase (decrease) in provision for share awards for directors (and other officers)		213	12	1,410
Increase (decrease) in provision for maintenance costs		617	(162)	4,080
Increase (decrease) in provision for loss on guarantees		(86)	(81)	(568)
Increase (decrease) in retirement benefit liability		(587)	405	(3,880)
Loss (gain) on valuation of short-term and long-term investment securities		84	256	558
Interest and dividend income		(3,184)	(2,435)	(21,036)
Capital costs and interest expenses		20,824	11,965	137,548
Loss (gain) on investments in investment partnerships and silent partnerships		15	(152)	102
Share of loss (profit) of entities accounted for using equity method		(6,660)	(6,028)	(43,990)
Loss (gain) on sale of short-term and long-term investment securities		(690)	(64)	(4,559)
Loss on liquidation of subsidiaries and associates		—	1,349	—
Loss (gain) on disposal of non-current assets		33	41	219
Decrease (increase) in installment receivables		2,903	13,291	19,181
Net decrease (increase) in lease receivables and investments in leases		30,686	136,887	202,682
Decrease (increase) in accounts receivable - lease		(1,956)	1,892	(12,920)
Decrease (increase) in operating loans		(7,075)	(6,633)	(46,731)
Decrease (increase) in accounts receivable - other loans to customers		(13,409)	(4,030)	(88,571)
Decrease (increase) in operational investment securities		(36,028)	(131,708)	(237,966)
Purchase of assets for lease		(356,077)	(216,032)	(2,351,902)
Purchase of other operating assets		(1,601)	(6,244)	(10,581)

	Millions of yen		Thousands of U.S. dollars (Note I)
	FY2023	FY2022	FY2023
Notes	(April 1, 2023 - March 31, 2024)	(April 1, 2022 - March 31, 2023)	(April 1, 2023 - March 31, 2024)
Decrease (increase) in retirement benefit asset	(1,653)	(434)	(10,919)
Decrease (increase) in distressed receivables	413	100	2,731
Decrease (increase) in guarantee deposits	(1,048)	(1,223)	(6,927)
Increase (decrease) in trade payables	2,550	(1,770)	16,848
Increase (decrease) in lease liabilities	(634)	(3,194)	(4,189)
Increase (decrease) in guarantee deposits received	(944)	2,021	(6,240)
Other, net	(11,433)	16,507	(75,517)
Subtotal	(78,134)	695	(516,080)
Interest and dividends received	6,546	3,510	43,238
Interest paid	(20,595)	(11,382)	(136,032)
Income taxes refund (paid)	(19,915)	(16,972)	(131,540)
Net cash provided by (used in) operating activities	(112,098)	(24,149)	(740,414)



		Millions of yen		Thousands of U.S. dollars (Note I)
	Notes	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Cash flows from investing activities				
Purchase of own-used assets		(3,269)	(2,676)	(21,596)
Purchase of investment securities		(4,103)	(9,177)	(27,102)
Proceeds from sale and redemption of investment securities		4,402	1,309	29,080
Purchase of shares of subsidiaries resulting in change in scope of consolidation	2	—	(2,397)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	—	348	—
Other, net		(92)	200	(612)
Net cash provided by (used in) investing activities		(3,062)	(12,393)	(20,230)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(30,284)	6,414	(200,028)
Net increase (decrease) in commercial papers		(30,000)	(65,000)	(198,151)
Proceeds from long-term borrowings		599,930	459,699	3,962,550
Repayments of long-term borrowings		(430,150)	(357,873)	(2,841,153)
Net increase (decrease) in payables under securitization of lease receivables		(11,200)	(5,200)	(73,976)
Proceeds from securitization of lease receivables		—	4	—
Repayments of payables under securitization of lease receivables		(6,098)	(17,351)	(40,283)
Proceeds from issuance of bonds		97,000	110,000	640,687
Redemption of bonds		(45,000)	(30,000)	(297,226)
Purchase of treasury shares		(0)	—	(6)
Proceeds from disposal of treasury shares		267	302	1,769
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		—	(6,869)	—
Dividends paid		(11,464)	(9,425)	(75,724)
Dividends paid to non-controlling interests		(756)	(281)	(5,000)
Other, net		(441)	(377)	(2,918)
Net cash provided by (used in) financing activities		131,800	84,042	870,542
Effect of exchange rate change on cash and cash equivalents		2,842	1,735	18,778
Net increase (decrease) in cash and cash equivalents		19,481	49,235	128,675
Cash and cash equivalents at beginning of period		121,192	71,957	800,480
Cash and cash equivalents at end of period	1	¥ 140,674	¥ 121,192	\$ 929,156

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 ¥151.40 to US\$1.00, in effect at March 31, 2024, 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: 66 companies

Names of significant consolidated subsidiaries:

Fuyo Auto Lease Co., Ltd.  
YAMATO LEASE CO., LTD.  
Sharp Finance Corporation  
Accretive Co., Ltd.  
INVOICE INC.  
FGLGROUP Business ServiceCO., Ltd.  
FGL GROUP Management Service Co., Ltd.  
FGL LeaseUp Business Service 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

##### (2) Non-consolidated subsidiaries

Reason for exclusion from the scope of consolidation

Among the non-consolidated subsidiaries, 158 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: 16 associates

Names of significant associates:

Yokogawa Rental & Lease Corporation

Marubeni Fuyo Auto Investment (CANADA) Inc.

### (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, 158 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, 25 overseas consolidated subsidiaries including Fuyo General Lease (USA) Inc. have balance sheet dates of December 31, while 13 domestic consolidated subsidiaries including General Incorporated Association C · C · S Holding have balance sheet dates of January 31. Financial statements of the respective subsidiaries as of the respective closing dates, 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.O. Aerial 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) 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

4) 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 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 ¥7,744 million (U.S.\$51,152 thousand) in the fiscal year ended March 31, 2024 and ¥7,314 million in the fiscal year ended March 31, 2023.

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 12 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) Hedging instruments and hedged items

(a) Hedging instruments Interest rate swaps, currency swaps, foreign currency-denominated borrowings, foreign currency-denominated bonds, and forward exchange contracts

(b) Hedged items Borrowings, foreign currency-denominated securities and forecast transactions in foreign currencies

3) Hedging policies

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

4) Assessing hedge effectiveness

The assessment of hedge effectiveness of interest rate fluctuation risks 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 risks associated with foreign currency fluctuations, 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, goodwill is amortized by the straight-line method over a period not exceeding 20 years from the effective date.

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

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

(11) Other important matters for preparing consolidated financial statements

1) Operating loans and accounts receivable - other loans to customers

Operating loans and accounts receivable - other loans to customers include loans, discounted notes and purchased receivables to earn financial income.

This financial income is in net sales on the consolidated statement of income.

2) Operational investment securities

Operational investment securities are held for operational purpose to earn financial income.

This financial income (interest, redemption difference) is recorded in net sales on the consolidated statement of income.

## II. Significant accounting estimates

Of the accounting estimates made in preparing the consolidated financial statements for the fiscal year ended March 31, 2024, 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

FY2023: ¥936,038 million (U.S.\$6,182,553 thousand)

FY2022: ¥797,218 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.

While a gradual recovery is expected to continue given the improving employment and income environment backed mainly by rising wages, there are risks of downward pressure on economies, such as the effects of global monetary tightening and the unstable international situation, and we also anticipate the continuation of prevailing uncertainties. Cash flows derived mainly from leased properties will be affected to a certain extent. 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.

### III. New accounting standards and implementation guidances not yet applied

#### Accounting Standard for Current Income Taxes and related implementation guidances

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

#### (1) Overview

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28) and relevant implementation guidances (hereinafter, “ASBJ Statement No. 28, etc.”) were released in February 2018. While the transfer of authority for practical guidelines on tax effect accounting from the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan was completed, it was decided, in the process of the transfer, that the following two issues would be reviewed again after the release of ASBJ Statement No. 28, etc. Now those issues were deliberated and announced.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on sale of shares of subsidiaries, etc. (shares of subsidiaries or shares of associates) in the case where the group taxation regime is applied



(2) Scheduled date of adoption

Effective from the beginning of the fiscal year ending March 31, 2025.

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

The impact on the consolidated financial statements of adopting the Accounting Standard for Current Income Taxes and related implementation guidances is immaterial.

**Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc.**

- Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (ASBJ PITF No. 46, March 22, 2024)
- The Supplementary Document on the Estimation of Current Taxes Related to the Global Minimum Tax Rules (March 22, 2024)

(1) Overview

In October 2021, an agreement on the global minimum tax was reached by the jurisdictions participating in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, and in response, revisions to the Corporation Tax Act are expected to be implemented over several years to introduce the Global Minimum Tax Rules in Japan.

This practical solution and supplementary document have been issued with regard to the treatment of accounting and disclosure of corporate income tax and local corporate tax in connection with the Global Minimum Tax Rules.

(2) Scheduled date of adoption

Effective from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of adoption of such practical solution, etc.

The impact on the consolidated financial statements of adopting the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc. is currently being evaluated.

**IV. Additional information**

**Board Benefit Trust (BBT) Plan**

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

(1) Overview of the transaction

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

Company. In principle, the Company's shares, etc. will be provided to the Eligible Directors on their retirement.

(2) Treasury shares remaining in trust

The shares of the Company remaining in trust are recorded as treasury shares under net assets based on the book value in trust (excluding the amount of incidental costs). The book value and the number of shares of treasury shares under the Plan are ¥1,046 million (U.S.\$6,910 thousand) and 147,700 shares as of March 31, 2024 and ¥1,061 million and 149,800 shares as of March 31, 2023.

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

Not applicable

## V. Notes for consolidated balance sheets

### \*1 Accumulated depreciation for property, plant and equipment

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
Assets for lease	¥ 218,862	¥ 195,748	\$ 1,445,590	
Other operating assets	17,867	14,798	118,013	
Own-used assets	4,422	3,766	29,211	

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
Operational investment securities (other)	¥ 1,300	¥ 1,300	\$ 8,587	
Investment securities (shares)	30,616	26,715	202,221	
(of which investment in joint ventures)	(27,884)	(24,084)	(184,180)	
Investment securities (other)	19,212	19,739	126,898	

### \*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, 2024	As of March 31, 2023	As of March 31, 2024	
Cash and deposits	¥ 3,291	¥ 3,239	\$ 21,739	
Installment receivables	287	418	1,898	
Lease receivables and investments in leases	10,546	11,946	69,661	
Accounts receivable - other loans to customers	867	1,791	5,731	
Accounts receivable - lease	101	78	669	
Operating lease and other contract receivables	8,905	9,453	58,822	
Assets for lease (property, plant and equipment)	46,814	49,487	309,208	
Other operating assets (property, plant and equipment)	16,130	17,347	106,543	
Total	¥ 86,944	¥ 93,762	\$ 574,271	

Note: Besides the above assets pledged as collateral, the Company provided investment securities (¥602 million (U.S.\$3,977 thousand) in the fiscal year ended March 31, 2024, ¥602 million in the fiscal year ended March 31, 2023) as third party security for bank loans taken out by business partners. The Company maintains deposits of investment securities (¥3 million (U.S.\$20 thousand) and ¥3 million as of March 31, 2024 and March 31, 2023, respectively) for the purpose of sales transactions.

#### (2) Liabilities secured by collateral

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
Other (current liabilities)	¥ 5	¥ 6	\$ 38	
Long-term borrowings (current portion included)	56,262	62,559	371,614	
Long-term payables under securitization of lease receivables (current portion included)	6	18	42	
Total	¥ 56,274	¥ 62,585	\$ 371,694	

\*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 U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
Total loan commitments	¥ 28,153	¥ 12,685	\$ 185,952	
Balance of loans extended	4,776	4,067	31,546	
Difference	¥ 23,377	¥ 8,618	\$ 154,406	

Note that, in 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 80 correspondent financial institutions, etc. (77 in the fiscal year ended March 31, 2023) for the efficient procurement of working capital. The unused balance, etc. at the end of the fiscal years ended March 31, 2024 and 2023 based on these agreements was as follows:

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
Upper limit on overdrafts and total loan commitments	¥ 1,293,887	¥ 1,250,007	\$ 8,546,156	
Balance of borrowings drawn	542,873	575,084	3,585,689	
Difference	¥ 751,014	¥ 674,922	\$ 4,960,467	

\*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, 2024	As of March 31, 2023	As of March 31, 2024	
Mizuho Bank, Ltd. (Note)	¥ 71,712	¥ 81,891	\$ 473,665	
Sumitomo Mitsui Trust Bank, Limited (Note)	10,998	—	72,648	
Sumitomo Mitsui Banking Corporation (Note)	4,119	—	27,210	
JAPAN SECURITIZATION CORPORATION (Note)	3,981	4,166	26,298	
Cutlass Solar Partners LLC	2,549	2,249	16,840	
Sumitomo Realty & Development Co., Ltd. (Note)	2,277	1,272	15,044	
PLIC Corp., Ltd.	1,560	1,227	10,305	
Employees (funds for purchasing housing)	1	2	13	
Others (740 in the fiscal year ended March 31, 2024, 775 in the fiscal year ended March 31, 2023)	23,747	26,413	156,855	
Total	¥ 120,950	¥ 117,223	\$ 798,879	

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

(2) The Company's domestic consolidated subsidiary Sharp Finance Corporation engaged in business guarantee operations and the balance of guarantees for borrowings of general customers and other entities was ¥17,777 million (U.S.\$117,418 thousand) as of March 31, 2024 and ¥25,061 million as of March 31, 2023.

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
Current portion of long-term non-recourse borrowings	¥ 6,136	¥ 5,408	\$ 40,532	
Long-term non-recourse borrowings	26,549	29,703	175,360	
Total	¥ 32,685	¥ 35,111	\$ 215,892	

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
Accounts receivable - other loans to customers	¥ 27,312	¥ 29,845	\$ 180,402	
Assets for lease (property, plant and equipment)	7,165	3,645	47,327	
Total	¥ 34,478	¥ 33,490	\$ 227,729	

\*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 ¥17,505 million (U.S.\$115,626 thousand) as of March 31, 2024 and ¥51,584 million as of March 31, 2023.

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

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

Note that since the last day of the fiscal year ended March 31, 2024 was a financial institution holiday, the following amounts for bills that matured on the last day of the fiscal period have been included in the balance at the end of the fiscal year.

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
Notes receivable - trade (installment receivables, lease receivables and investments in leases and others included)	¥ 12	¥ —	\$ 84	
Notes payable - trade	108	—	718	

## VI. 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 XX. “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, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Provision of allowance for doubtful accounts	¥ 516	¥ 1,218	\$ 3,413
Bad debts expenses	738	448	4,879
Employees' salaries, allowances and bonuses	19,202	16,757	126,836
Provision for bonuses	3,257	2,521	21,517
Provision for bonuses for directors (and other officers)	200	204	1,324
Retirement benefit expenses	(1,149)	1,059	(7,592)
Provision for retirement benefits for directors (and other officers)	56	49	371
Provision for share awards for directors (and other officers)	236	230	1,565
Welfare expenses	4,192	3,947	27,694
Rent expenses	2,910	2,719	19,224
Depreciation	3,414	2,739	22,550
Amortization of goodwill	1,810	1,619	11,960

### \*3 Impairment losses

The Group recorded impairment losses for the following asset groups:

FY2023 (From April 1, 2023 to March 31, 2024)

Location	Use	Type	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Ireland	Assets for lease	Transportation equipment (aircraft)	¥ 1,840	\$ 12,160
Fukuoka-shi, Fukuoka	Business assets	Goodwill Customer-related assets	660 1,106	4,360 7,307
Chiyoda-ku, Tokyo	Business assets	Software	310	2,048

The above transportation equipment (aircraft) is grouped individually.

The expected future cash flows have declined for the overseas consolidated subsidiary FGL Aircraft Ireland Limited, 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 is calculated from the value in use, and the discount rate is between 6.00% and 6.16%.

The above goodwill and customer-related assets are grouped for each company.

Owing to a decrease in demand for online events in the video streaming service of the domestic consolidated subsidiary, Human Centrix Co., Ltd., there are no longer expectations for revenue anticipated at the time of acquisition of its shares, so the book value is written down to the recoverable

amount, and the impairment loss is stated as extraordinary losses. Further, the recoverable amount is calculated from the value in use based on revised future cash flow, taking into account changes in the environment. The discount rate is 11.1%.

The above software is grouped based on offices, etc.

For this software, profit or loss from operating activities is continually negative or is expected to be negative, so the book value is written down to the recoverable amount, and the impairment loss is stated as extraordinary losses. Excluding available-for-sale assets, the recoverable amount is measured based on the value in use. However, since no future cash flows are expected, the value in use is evaluated as zero.

FY2022 (From April 1, 2022 to March 31, 2023)

Location	Use	Type	Amount (Millions of yen)
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	¥ 0

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	
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)	
Buildings	¥ 24	¥ 27	\$ 160	
Equipment	2	5	18	
Software	6	7	41	
Total	¥ 33	¥ 41	\$ 219	

\*5 Loss on liquidation of subsidiaries and associates

FY2023 (From April 1, 2023 to March 31, 2024)

Not applicable

FY2022 (From April 1, 2022 to March 31, 2023)

The amount of loss incurred due to the business liquidation of Saisai Seikatsu LLC, an equity-method associate of the Company, was recorded in loss on liquidation of subsidiaries and associates.

## VII. Notes for consolidated statements of comprehensive income

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

	Millions of yen		Thousands of U.S. dollars	
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)	
Valuation difference on available-for-sale securities:				
Gains or losses arising during the year	¥ 35,371	¥ (4,354)	\$ 233,629	
Reclassification adjustments to profit or loss	1,803	646	11,915	
Amount before income tax effect	37,175	(3,707)	245,544	
Income tax effect	(11,393)	1,177	(75,257)	
Valuation difference on available-for-sale securities	¥ 25,781	¥ (2,529)	\$ 170,287	
Deferred gains or losses on hedges:				
Gains or losses arising during the year	(9,633)	(1,239)	(63,633)	
Reclassification adjustments to profit or loss	426	342	2,820	
Amount before income tax effect	(9,206)	(896)	(60,812)	
Income tax effect	1,963	209	12,966	
Deferred gains or losses on hedges	¥ (7,243)	¥ (687)	\$ (47,846)	
Foreign currency translation adjustment:				
Gains or losses arising during the year	9,873	12,464	65,213	
Foreign currency translation adjustment	¥ 9,873	¥ 12,464	\$ 65,213	
Remeasurements of defined benefit plans, net of tax:				
Gains or losses arising during the year	348	346	2,300	
Reclassification adjustments to profit or loss	(85)	(89)	(562)	
Amount before income tax effect	263	257	1,738	
Income tax effect	(77)	(93)	(514)	
Remeasurements of defined benefit plans, net of tax	¥ 185	¥ 163	\$ 1,224	
Share of other comprehensive income of entities accounted for using equity method:				
Gains or losses arising during the year	1,142	34	7,546	
Reclassification adjustments to profit or loss	(7)	(7)	(50)	
Share of other comprehensive income of entities accounted for using equity method	¥ 1,134	¥ 26	\$ 7,496	
Total other comprehensive income	¥ 29,731	¥ 9,437	\$ 196,374	



## VIII. Notes for consolidated statements of changes in equity

FY2023 (From April 1, 2023 to March 31, 2024)

### 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)	303,657	80	81,800	221,937
Total	303,657	80	81,800	221,937

- Notes: 1. The number of common shares in treasury shares at the end of the year includes the 147,700 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 80 increase in the number of common shares in treasury shares is due to the acquisition of fractional unit shares.
3. The 81,800 decrease in the number of common shares in treasury shares was a 79,700 decrease due to the exercise of stock options and a 2,100 decrease due to provision to the Board Benefit Trust (BBT).

### 2. Share acquisition rights and treasury shares acquisition rights

Category	Component of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (Shares)				Balance at the end of the year (Millions of yen)	Balance at the end of the year (Thousands of U.S. dollars)
			Beginning of the year	Increase	Decrease	End of the year		
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	¥ 289	\$ 1,909

### 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, 2023 Annual General Meeting of Shareholders	Common shares	¥ 5,574	¥ 185	March 31, 2023	June 26, 2023
November 8, 2023 Board of Directors	Common shares	5,889	195	September 30, 2023	December 7, 2023

- Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 23, 2023, include cash dividends of ¥27 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 8, 2023, include cash dividends of ¥28 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 21, 2024 Annual General Meeting of Shareholders	Common shares	¥ 7,402	Retained earnings	¥ 245	March 31, 2024	June 24, 2024

(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 21, 2024 Annual General Meeting of Shareholders	Common shares	\$ 48,893	Retained earnings	\$ 1.62	March 31, 2024	June 24, 2024

Note: Total amount of cash dividends include cash dividends of ¥36 million (U.S.\$239 thousand) for the Company's shares held by Board Benefit Trust (BBT).

FY2022 (From April 1, 2022 to March 31, 2023)

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)	361,957	—	58,300	303,657
Total	361,957	—	58,300	303,657

- Notes: 1. The number of common shares in treasury shares at the end of the year includes the 149,800 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 58,300 decrease in the number of common shares in treasury shares was a 31,000 decrease due to the exercise of stock options and a 27,300 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	—	—	—	—	—	¥ 541

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, 2022 Annual General Meeting of Shareholders	Common shares	¥ 4,665	¥ 155	March 31, 2022	June 24, 2022
November 8, 2022 Board of Directors	Common shares	4,759	158	September 30, 2022	December 7, 2022

- Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 23, 2022, include cash dividends of ¥27 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 8, 2022, include cash dividends of ¥23 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, 2023 Annual General Meeting of Shareholders	Common shares	¥ 5,574	Retained earnings	¥ 185	March 31, 2023	June 26, 2023

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

## IX. Notes for consolidated statements of cash flows

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

	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Cash and deposits	¥ 140,804	¥ 121,227	\$ 930,018
Time deposits with maturity of over three months	(130)	(34)	(863)
Cash and cash equivalents	¥ 140,674	¥ 121,192	\$ 929,156

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

FY2023 (From April 1, 2023 to March 31, 2024)

Not applicable

FY2022 (From April 1, 2022 to March 31, 2023)

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

	Millions of yen
Current assets	¥ 689
Non-current assets	106
Goodwill	776
Current liabilities	(102)
Non-current liabilities	—
Valuation difference	947
Acquisition cost of shares	2,418
Cash and cash equivalents	(380)
Difference: net consideration paid for acquisition	¥ 2,037

The following includes the breakdown of assets and liabilities at the time of consolidation as a result of the additional acquisition of shares of Pacific Rim Capital, Inc. which had been an entity accounted for using equity method, and the relation between the acquisition cost of shares and net consideration provided for the acquisition (net price).

The amounts are presented using figures reflecting material changes to the initial allocation of acquisition costs, which arose due to the finalization of the provisional accounting treatment for business combinations.

	Millions of yen
Current assets	¥ 16,639
Non-current assets	9,284
Goodwill	5,204
Current liabilities	(11,732)
Non-current liabilities	(6,611)
Non-controlling interests	(1,870)
Valuation difference	(97)
Acquisition cost of shares	10,816
Acquisition cost up until the time control was obtained	(8,398)
Loss on step acquisitions	85
Acquisition cost of additionally acquired shares	2,503
Cash and cash equivalents	(2,876)
Foreign currency translation adjustment	24
Difference: net consideration provided for acquisition	¥ (348)

## X. Lease transactions

### As lessee

#### Operating leases

Future lease payments required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Within one year	¥ 53	¥ 700	\$ 353
Over one year	0	406	4
Total	¥ 53	¥ 1,107	\$ 356

### As lessor

#### 1. Finance leases

##### (1) Breakdown of investments in leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Lease receivables	¥ 769,325	¥ 803,166	\$ 5,081,413
Estimated residual value	20,113	18,911	132,851
Future interest income	(95,131)	(94,377)	(628,345)
Investments in leases	¥ 694,307	¥ 727,700	\$ 4,585,918

##### (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, 2024					
	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	¥ 49,453	¥ 31,968	¥ 40,670	¥ 19,105	¥ 14,574	¥ 23,529
Investments in leases	248,362	155,403	133,639	75,708	49,121	107,089

(Thousands of U.S. dollars)

	As of March 31, 2024					
	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	\$ 326,642	\$ 211,155	\$ 268,632	\$ 126,191	\$ 96,263	\$ 155,415
Investments in leases	1,640,438	1,026,446	882,694	500,054	324,449	707,331

(Millions of yen)

	As of March 31, 2023					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	¥ 53,443	¥ 28,834	¥ 27,152	¥ 28,582	¥ 9,161	¥ 28,696
Investments in leases	267,799	169,510	125,628	94,842	42,834	102,550

## 2. Operating leases

Future lease payments required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Within one year	¥ 77,157	¥ 71,692	\$ 509,626
Over one year	394,932	321,318	2,608,539
Total	¥ 472,090	¥ 393,010	\$ 3,118,165

## 3. Sublease transactions

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Lease receivables and investments in leases	¥ 3,123	¥ 4,244	\$ 20,633
Lease liabilities	5,415	7,065	35,772

## **XI. Financial instruments**

### **1. Status of financial instruments**

#### **(1) Policy on financial instruments**

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

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. Also, as part of funding, the Company uses credit risk-related derivatives.

#### **(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. Also, as part of funding, the Company uses credit risk-related derivatives. 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 (fluctuation 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

For foreign exchange risks, the Company procures foreign currency-denominated liabilities corresponding to foreign currency-denominated assets and hedges risks by using foreign currency-related derivatives.

- (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 currency swaps, etc. for the purpose of hedging risks associated with foreign currency fluctuations that affect its foreign currency-denominated receivables and payables, etc. The Company uses interest rate swap contracts for the purpose of hedging interest rate fluctuation risks that affect its borrowings.

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

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

(v) Quantitative information on market risk

The major types of financial instruments affected by interest rate risk, the Group's main risk factors, are "Installment receivables," "Lease receivables and investments in leases," "Operating loans," other marketable securities recorded under "Operational investment securities and investment securities," "Bonds payable," "Long-term borrowings," "Long-term payables under securitization of lease receivables," and interest rate swaps contracts included in "Derivatives." The Group performs quantitative analysis in managing the risk of interest rate fluctuations. This quantitative analysis incorporates the potential change in value of these financial assets and liabilities based on a reasonable range of potential interest rate movements. To calculate the potential change in value, the financial assets and liabilities are split into fixed-rate and variable-rate categories. For the fixed-rate category, the Company allocates the book value of the instruments into appropriate categories based on their interest-payment dates and applies an appropriate potential range of interest rate movements to each category. Assuming all risk factors other than interest rates remain constant, as of the fiscal year-end, a 10 basis point (0.1%) change in interest rates would result in a change of ¥3,978 million (U.S.\$26,278 thousand) for the fiscal year ended March 31, 2024 and a change of ¥4,030 million for the fiscal year ended March 31, 2023 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, 2024

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	¥ 49,757	¥ 50,467	¥ 709
(2) Lease receivables and investments in leases*2	857,327	896,198	38,871
(3) Operating loans*2	339,160	340,210	1,049
(4) Operational investment securities and investment securities*3			
Other securities	377,792	377,792	—
Total assets	¥ 1,624,037	¥ 1,664,668	¥ 40,630
(1) Lease liabilities (current liabilities and non-current liabilities)	¥ 5,992	¥ 5,992	¥ —
(2) Bonds payable (current portion included)	428,495	430,916	2,421
(3) Long-term borrowings (current portion included)	1,398,741	1,399,002	260
(4) Long-term payables under securitization of lease receivables (current portion included)	8,254	8,638	383
Total liabilities	¥ 1,841,483	¥ 1,844,549	¥ 3,065
Derivatives*4			
(i) Hedge accounting not applied	¥ (11)	¥ (11)	¥ —
(ii) Hedge accounting applied	340	340	—
Total derivatives	¥ 329	¥ 329	¥ —

	Thousands of U.S. dollars		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	\$ 328,648	\$ 333,337	\$ 4,689
(2) Lease receivables and investments in leases*2	5,662,664	5,919,409	256,745
(3) Operating loans*2	2,240,164	2,247,095	6,931
(4) Operational investment securities and investment securities*3			
Other securities	2,495,327	2,495,327	–
Total assets	\$ 10,726,802	\$ 10,995,168	\$ 268,366
(1) Lease liabilities (current liabilities and non-current liabilities)	\$ 39,579	\$ 39,579	\$ –
(2) Bonds payable (current portion included)	2,830,218	2,846,214	15,996
(3) Long-term borrowings (current portion included)	9,238,716	9,240,438	1,721
(4) Long-term payables under securitization of lease receivables (current portion included)	54,523	57,056	2,533
Total liabilities	\$ 12,163,036	\$ 12,183,286	\$ 20,250
Derivatives*4			
(i) Hedge accounting not applied	\$ (75)	\$ (75)	\$ –
(ii) Hedge accounting applied	2,248	2,248	–
Total derivatives	\$ 2,173	\$ 2,173	\$ –

\*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. Operational investment securities include investment trusts that have applied the treatment of regarding the net asset value per unit as the fair value in paragraph 24-3 and paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

\*4. Assets and liabilities arising from derivatives are carried at net amounts with amounts in parentheses representing a net liability position.

As of March 31, 2023

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	¥ 52,532	¥ 52,700	¥ 167
(2) Lease receivables and investments in leases*2	889,386	923,198	33,811
(3) Operating loans*2	327,937	330,538	2,601
(4) Operational investment securities and investment securities*3			
Other securities	323,088	323,088	—
Total assets	¥ 1,592,945	¥ 1,629,525	¥ 36,580
(1) Lease liabilities (current liabilities and non-current liabilities)	¥ 7,772	¥ 7,772	¥ —
(2) Bonds payable (current portion included)	361,397	363,033	1,636
(3) Long-term borrowings (current portion included)	1,223,144	1,224,536	1,391
(4) Long-term payables under securitization of lease receivables (current portion included)	14,353	13,685	(668)
Total liabilities	¥ 1,606,667	¥ 1,609,027	¥ 2,359
Derivatives*4			
(i) Hedge accounting not applied	¥ —	¥ —	¥ —
(ii) Hedge accounting applied	412	412	—
Total derivatives	¥ 412	¥ 412	¥ —

\*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. Operational investment securities include investment trusts that have applied the treatment of regarding the net asset value per unit as the fair value in paragraph 24-3 and paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

\*4. 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, 2024	As of March 31, 2023	As of March 31, 2024
Unlisted shares*1	¥ 10,491	¥ 10,421	\$ 69,298
Subsidiary's shares / associates' shares*1	49,828	46,454	329,120
Investments in limited partnerships, etc.*2	211,536	200,288	1,397,200
Total	¥ 271,856	¥ 257,164	\$ 1,795,619

\*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, March 31, 2020).

\*2. Investments in partnerships, etc. is not subject to fair value disclosure based on paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

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, 2024

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	¥ —	¥ 165,723	¥ 30,416	¥ 196,140
Preferred securities / beneficial interest in trusts, etc.	413	2,499	4,365	7,278
Investment securities				
Shares	97,084	210	—	97,294
Investment trusts	590	—	—	590
Derivatives				
Interest rate-related	—	440	—	440
Foreign currency-related	—	72	—	72
Total assets	¥ 98,087	¥ 168,945	¥ 34,782	¥ 301,815
Derivatives	¥ —	¥ 120	¥ —	¥ 120
Interest rate-related	—	120	—	120
Foreign currency-related	—	62	—	62
Credit risk-related	—	0	—	0
Total liabilities	¥ —	¥ 183	¥ —	¥ 183

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	\$ –	\$ 1,094,610	\$ 200,903	\$ 1,295,513
Preferred securities / beneficial interest in trusts, etc.	2,728	16,510	28,834	48,072
Investment securities				
Shares	641,246	1,387	–	642,633
Investment trusts	3,897	–	–	3,897
Derivatives				
Interest rate-related	–	2,907	–	2,907
Foreign currency-related	–	476	–	476
Total assets	\$ 647,872	\$ 1,115,890	\$ 229,737	\$ 1,993,498
Derivatives	\$ –	\$ –	\$ –	\$ –
Interest rate-related	–	798	–	798
Foreign currency-related	–	412	–	412
Credit risk-related	–	0	–	0
Total liabilities	\$ –	\$ 1,210	\$ –	\$ 1,210

(\*) Investment trusts that have applied the treatment of regarding the net asset value per unit as the fair value in paragraph 24-3 and paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) are not included in the above table. The book value of investment trusts that have applied the treatment in paragraph 24-3 is ¥29,183 million (U.S.\$192,759 thousand), and the book value of investment trusts that have applied the treatment in paragraph 24-9 is ¥47,305 million (U.S.\$312,453 thousand).

As of March 31, 2023

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	¥ –	¥ 168,721	¥ 8,609	¥ 177,330
Preferred securities / beneficial interest in trusts, etc.	–	470	4,392	4,863
Investment securities				
Shares	68,858	–	–	68,858
Investment trusts	613	–	–	613
Derivatives				
Interest rate-related	–	623	–	623
Total assets	¥ 69,472	¥ 169,814	¥ 13,002	¥ 252,289
Derivatives	¥ –	¥ –	¥ –	¥ –
Foreign currency-related	–	210	–	210
Total liabilities	¥ –	¥ 210	¥ –	¥ 210

(\*) Investment trusts that have applied the treatment of regarding the net asset value per unit as the fair value in paragraph 24-3 and paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) are not included in the above table. The book value of investment trusts that have applied the treatment in paragraph 24-3 is ¥29,736 million, and the book value of investment trusts that have applied the treatment in paragraph 24-9 is ¥41,686 million.

(2) Financial assets and financial liabilities not recorded on the consolidated balance sheet at fair value  
As of March 31, 2024

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	¥ —	¥ —	¥ 50,467	¥ 50,467
Lease receivables and investments in leases	—	—	896,198	896,198
Operating loans	—	—	340,210	340,210
Total assets	¥ —	¥ —	¥ 1,286,875	¥ 1,286,875
Lease liabilities	¥ —	¥ 5,992	¥ —	¥ 5,992
Bonds payable	—	430,916	—	430,916
Long-term borrowings	—	1,399,002	—	1,399,002
Long-term payables under securitization of lease receivables	—	8,638	—	8,638
Total liabilities	¥ —	¥ 1,844,549	¥ —	¥ 1,844,549

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	\$ —	\$ —	\$ 333,337	\$ 333,337
Lease receivables and investments in leases	—	—	5,919,409	5,919,409
Operating loans	—	—	2,247,095	2,247,095
Total assets	\$ —	\$ —	\$ 8,499,841	\$ 8,499,841
Lease liabilities	\$ —	\$ 39,579	\$ —	\$ 39,579
Bonds payable	—	2,846,214	—	2,846,214
Long-term borrowings	—	9,240,438	—	9,240,438
Long-term payables under securitization of lease receivables	—	57,056	—	57,056
Total liabilities	\$ —	\$ 12,183,286	\$ —	\$ 12,183,286

As of March 31, 2023

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	¥ —	¥ —	¥ 52,700	¥ 52,700
Lease receivables and investments in leases	—	—	923,198	923,198
Operating loans	—	—	330,538	330,538
Total assets	¥ —	¥ —	¥ 1,306,437	¥ 1,306,437
Lease liabilities	¥ —	¥ 7,772	¥ —	¥ 7,772
Bonds payable	—	363,033	—	363,033
Long-term borrowings	—	1,224,536	—	1,224,536
Long-term payables under securitization of lease receivables	—	13,685	—	13,685
Total liabilities	¥ —	¥ 1,609,027	¥ —	¥ 1,609,027



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.

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.

Investment trusts which have transaction prices in markets and for which unadjusted prices in active markets can be used are categorized as Level 1 fair value. This mainly includes listed investment trusts. For investment trusts with no transaction price in markets, the fair value is determined based on the net asset value per unit and other valuation methods. If there are no significant restrictions for which market participants would demand compensation for the risk on cancellation or repurchase requests, the net asset value per unit is used as the fair value, and the investment trusts are categorized as Level 2 fair value. If there is any significant restriction for which market participants would demand compensation for the risk on cancellation or repurchase requests, the investment trusts are measured with the net asset value per unit regarded as the fair value, and are not categorized into any level in accordance with paragraph 24-7 and paragraph 24-12 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

#### 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 unobservable inputs 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 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, 2024

Category	Evaluation technique	Significant unobservable inputs	Scope of inputs
Operational investment securities			
Bonds payable	Discounted present value method	Discount rate	2.63%
Preferred securities, etc.	Discounted present value method	Discount rate	6.50% - 17.17%

As of March 31, 2023

Category	Evaluation technique	Significant unobservable inputs	Scope of inputs
Operational investment securities			
Bonds payable	Discounted present value method	Discount rate	2.55%
Preferred securities, etc.	Discounted present value method	Discount rate	6.50% - 15.43%

(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, 2024

	Millions of yen							
	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	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
		Recorded in profit and loss	Recorded in other comprehensive income (*1)					
Operational investment securities								
Bonds payable	¥ 8,609	¥ –	¥ 950	¥ 20,856	¥ –	¥ –	¥ 30,416	¥ –
Preferred securities, etc.	4,392	–	113	(140)	–	–	4,365	–
Total	¥ 13,002	¥ –	¥ 1,064	¥ 20,715	¥ –	¥ –	¥ 34,782	¥ –

	Thousands of U.S. dollars							
	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	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
		Recorded in profit and loss	Recorded in other comprehensive income (*1)					
Operational investment securities								
Bonds payable	\$ 56,865	\$ –	\$ 6,281	\$ 137,756	\$ –	\$ –	\$ 200,903	\$ –
Preferred securities, etc.	29,014	–	750	(929)	–	–	28,834	–
Total	\$ 85,879	\$ –	\$ 7,031	\$ 136,827	\$ –	\$ –	\$ 229,737	\$ –

\*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.

As of March 31, 2023

	Millions of yen							
	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	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
		Recorded in profit and loss	Recorded in other comprehensive income (*1)					
Operational investment securities								
Bonds payable	¥ 5,836	¥ –	¥ (127)	¥ 2,900	¥ –	¥ –	¥ 8,609	¥ –
Preferred securities, etc.	5,597	–	246	(1,451)	–	–	4,392	–
Total	¥ 11,434	¥ –	¥ 119	¥ 1,448	¥ –	¥ –	¥ 13,002	¥ –

- \*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 standalone 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.

3. Information on investment trusts that have applied the treatment in paragraph 24-3 and paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(1) Reconciliation of investment trusts that have applied the treatment in paragraph 24-3 and paragraph 24-9 from the balance at beginning of year to the balance at end of year

As of March 31, 2024

Category	Millions of yen							
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale and redemption	Amounts of investment trusts whose net asset value per unit shall be regarded as the fair value	Amounts of investment trusts whose net asset value per unit shall not be regarded as the fair value	End of year	Unrealized gains and losses on investment trusts held on the consolidated balance sheet date among the amount recorded to gains and losses for the period
		Recorded in profit and loss (*1)	Recorded in other comprehensive income (*2)					
Investment trusts whose investment trust property is financial instruments (paragraph 24-3)	¥ 29,736	¥ –	¥ 446	¥ (1,000)	¥ –	¥ –	¥ 29,183	¥ –
Investment trusts whose investment trust property is real estate (paragraph 24-9)	41,686	–	(5)	5,625	–	–	47,305	–
Total	¥ 71,422	¥ –	¥ 441	¥ 4,625	¥ –	¥ –	¥ 76,489	¥ –

	Thousands of U.S. dollars							
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale and redemption	Amounts of investment trusts whose net asset value per unit shall be regarded as the fair value	Amounts of investment trusts whose net asset value per unit shall not be regarded as the fair value	End of year	Unrealized gains and losses on investment trusts held on the consolidated balance sheet date among the amount recorded to gains and losses for the period
		Recorded in profit and loss (*1)	Recorded in other comprehensive income (*2)					
Investment trusts whose investment trust property is financial instruments (paragraph 24-3)	\$ 196,412	\$ –	\$ 2,952	\$ (6,605)	\$ –	\$ –	\$ 192,759	\$ –
Investment trusts whose investment trust property is real estate (paragraph 24-9)	275,337	–	(39)	37,155	–	–	312,453	–
Total	\$ 471,749	\$ –	\$ 2,914	\$ 30,550	\$ –	\$ –	\$ 505,212	\$ –

\*1. Included in “Cost of sales” on the consolidated statement of income.

\*2. Included in “Valuation difference on available-for-sale securities” under “Other comprehensive income” in the consolidated statement of comprehensive income.

As of March 31, 2023

Category	Millions of yen							
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale and redemption	Amounts of investment trusts whose net asset value per unit shall be regarded as the fair value	Amounts of investment trusts whose net asset value per unit shall not be regarded as the fair value	End of year	Unrealized gains and losses on investment trusts held on the consolidated balance sheet date among the amount recorded to gains and losses for the period
		Recorded in profit and loss (*1)	Recorded in other comprehensive income (*2)					
Investment trusts whose investment trust property is financial instruments (paragraph 24-3)	¥ 31,679	¥ (550)	¥ 556	¥ (1,949)	¥ –	¥ –	¥ 29,736	¥ –
Investment trusts whose investment trust property is real estate (paragraph 24-9)	31,138	–	1,253	9,294	–	–	41,686	–
Total	¥ 62,818	¥ (550)	¥ 1,810	¥ 7,344	¥ –	¥ –	¥ 71,422	¥ –

\*1. Included in “Cost of sales” on the consolidated statement of income.

\*2. Included in “Valuation difference on available-for-sale securities” under “Other comprehensive income” in the consolidated statement of comprehensive income.

(2) Breakdown of investment trusts that have applied the treatment in paragraph 24-3 by content of restrictions on cancellation as of the consolidated balance sheet date

As of March 31, 2024

Content of restrictions on cancellation	Book value (Millions of yen)	Book value (Thousands of U.S. dollars)
The record date for cancellation is limited, and the interval is long.	¥ 29,183	\$ 192,759

As of March 31, 2023

Content of restrictions on cancellation	Book value (Millions of yen)
The record date for cancellation is limited, and the interval is long.	¥ 29,736

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

As of March 31, 2024

	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	¥ 140,804	¥ –	¥ –	¥ –
Installment receivables	19,795	25,934	3,789	1,465
Lease receivables and investments in leases	273,723	474,119	71,783	39,105
Operating loans	103,804	223,005	9,855	3,206
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	5,020	47,587	55,451	6,534
Bonds (other)	–	–	–	–
Other	37,160	113,173	33,915	38,648
Total	¥ 580,309	¥ 883,821	¥ 174,795	¥ 88,960

	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	\$ 930,018	\$ –	\$ –	\$ –
Installment receivables	130,747	171,300	25,027	9,680
Lease receivables and investments in leases	1,807,947	3,131,569	474,131	258,295
Operating loans	685,634	1,472,955	65,098	21,176
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	33,161	314,319	366,261	43,160
Bonds (other)	–	–	–	–
Other	245,449	747,514	224,013	255,275
Total	\$ 3,832,955	\$ 5,837,657	\$ 1,154,529	\$ 587,587

As of March 31, 2023

	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	¥ 121,227	¥ –	¥ –	¥ –
Installment receivables	21,740	27,100	3,112	1,537
Lease receivables and investments in leases	292,981	483,417	74,959	39,443
Operating loans	69,422	229,174	26,496	3,603
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	8,621	27,693	56,815	2,806
Bonds (other)	–	–	–	–
Other	20,674	131,639	48,180	24,028
Total	¥ 534,668	¥ 899,026	¥ 209,565	¥ 71,420

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, 2024

	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	¥ 558,104	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	276,000	–	–	–	–	–
Payables under securitization of lease receivables	13,000	–	–	–	–	–
Lease liabilities	2,038	1,113	877	476	387	1,099
Bonds payable	35,000	93,308	80,000	97,570	89,589	33,028
Long-term borrowings	422,660	340,474	284,209	165,978	122,695	62,722
Long-term payables under securitization of lease receivables	2,464	4,408	512	426	349	93
Total	¥ 1,309,268	¥ 439,303	¥ 365,599	¥ 264,451	¥ 213,021	¥ 96,943



	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	\$ 3,686,289	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial papers	1,822,985	–	–	–	–	–
Payables under securitization of lease receivables	85,865	–	–	–	–	–
Lease liabilities	13,465	7,352	5,796	3,146	2,560	7,259
Bonds payable	231,176	616,301	528,402	644,452	591,737	218,151
Long-term borrowings	2,791,684	2,248,840	1,877,209	1,096,291	810,409	414,283
Long-term payables under securitization of lease receivables	16,280	29,116	3,384	2,817	2,307	619
Total	\$ 8,647,745	\$ 2,901,609	\$ 2,414,790	\$ 1,746,707	\$ 1,407,013	\$ 640,312

As of March 31, 2023

	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	¥ 584,811	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	306,000	–	–	–	–	–
Payables under securitization of lease receivables	24,200	–	–	–	–	–
Lease liabilities	3,611	1,700	830	661	286	681
Bonds payable	45,000	35,000	89,378	40,000	96,677	55,341
Long-term borrowings	393,529	298,565	222,578	116,692	119,918	71,860
Long-term payables under securitization of lease receivables	5,628	2,931	3,983	491	423	895
Total	¥ 1,362,780	¥ 338,197	¥ 316,771	¥ 157,845	¥ 217,304	¥ 128,779

## XII. Securities

### 1. Other securities

As of March 31, 2024

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 95,489	¥ 17,104	¥ 78,385
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	61,605	60,156	1,448
	3) Other	—	—	—
	(3) Other	78,514	72,508	6,005
	Subtotal	235,609	149,769	85,840
Securities whose book value does not exceed their acquisition cost	(1) Shares	1,804	2,003	(199)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	134,535	137,129	(2,594)
	3) Other	—	—	—
	(3) Other	5,842	6,524	(682)
	Subtotal	142,182	145,657	(3,475)
Total		¥ 377,792	¥ 295,427	¥ 82,365

	Type	Thousands of U.S. dollars		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	\$ 630,713	\$ 112,973	\$ 517,740
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	406,903	397,333	9,569
	3) Other	—	—	—
	(3) Other	518,592	478,922	39,669
	Subtotal	1,556,208	989,229	566,979
Securities whose book value does not exceed their acquisition cost	(1) Shares	11,920	13,235	(1,315)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	888,610	905,745	(17,135)
	3) Other	—	—	—
	(3) Other	38,589	43,094	(4,505)
	Subtotal	939,119	962,074	(22,955)
Total		\$ 2,495,327	\$ 1,951,303	\$ 544,024

Note: Shares without a market price, etc. and investments in limited partnerships, etc. are not included in the above table.

As of March 31, 2023

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 67,167	¥ 16,980	¥ 50,186
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	37,023	36,700	323
	3) Other	—	—	—
	(3) Other	42,191	37,129	5,062
	Subtotal	146,382	90,809	55,572
Securities whose book value does not exceed their acquisition cost	(1) Shares	1,691	2,093	(402)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	140,307	145,320	(5,013)
	3) Other	—	—	—
	(3) Other	34,707	35,025	(317)
	Subtotal	176,706	182,439	(5,732)
Total		¥ 323,088	¥ 273,249	¥ 49,839

Note: Shares without a market price, etc. and investments in limited partnerships, etc. are not included in the above table.

## 2. Other securities sold

FY2023 (From April 1, 2023 to March 31, 2024)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 1,201	¥ 737	¥ 47
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	19,626	—	1,373
3) Other	—	—	—
(3) Other	1,014	205	—
Total	¥ 21,842	¥ 943	¥ 1,421

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain	Total loss
(1) Shares	\$ 7,939	\$ 4,872	\$ 312
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	129,632	—	9,074
3) Other	—	—	—
(3) Other	6,698	1,358	—
Total	\$ 144,268	\$ 6,229	\$ 9,386

FY2022 (From April 1, 2022 to March 31, 2023)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 70	¥ 64	¥ –
(2) Bonds			
1) Government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	2,476	98	–
Total	¥ 2,546	¥ 162	¥ –

### 3. Impairment losses on securities

During the fiscal year ended March 31, 2024, impairment loss recorded on securities amounted to ¥2,777 million (U.S.\$18,343 thousand) (shares, etc. classified as other securities: ¥2,777 million (U.S.\$18,343 thousand)) and during the fiscal year ended March 31, 2023, impairment loss recorded on securities amounted to ¥544 million (shares, etc. classified as other securities: ¥544 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, 2024 and 2023.

### XIII. Derivatives

#### 1. Derivatives to which hedge accounting is not applied

##### (1) Foreign currency-related

As of March 31, 2024

Category	Type of contracts	Millions of yen			
		Contract amount, etc.	Contract amount, etc. of over one year	Fair value	Unrealized gains or losses
Transactions other than market trading	Currency swap contracts Receive yen, pay U.S. dollars	¥ 4,500	¥ 2,752	¥ (11)	¥ (11)
Total		¥ 4,500	¥ 2,752	¥ (11)	¥ (11)

Category	Type of contracts	Thousands of U.S. dollars			
		Contract amount, etc.	Contract amount, etc. of over one year	Fair value	Unrealized gains or losses
Transactions other than market trading	Currency swap contracts Receive yen, pay U.S. dollars	\$ 29,723	\$ 18,182	\$ (75)	\$ (75)
Total		\$ 29,723	\$ 18,182	\$ (75)	\$ (75)

As of March 31, 2023

Not applicable

##### (2) Interest rate-related

As of March 31, 2024

Not applicable

As of March 31, 2023

Not applicable

##### (3) Credit risk-related

As of March 31, 2024

Category	Type of contracts	Millions of yen			
		Contract amount, etc.	Contract amount, etc. of over one year	Fair value	Unrealized gains or losses
Transactions other than market trading	Total return swaps	¥ 4,500	¥ 2,752	¥ (0)	¥ (0)
Total		¥ 4,500	¥ 2,752	¥ (0)	¥ (0)

Category	Type of contracts	Thousands of U.S. dollars			
		Contract amount, etc.	Contract amount, etc. of over one year	Fair value	Unrealized gains or losses
Transactions other than market trading	Total return swaps	\$ 29,723	\$ 18,182	\$ (0)	\$ (0)
Total		\$ 29,723	\$ 18,182	\$ (0)	\$ (0)

As of March 31, 2023

Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related

As of March 31, 2024

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 U.S. dollars	Foreign currency-denominated securities	¥ 18,481	¥ –	¥ (38)
	Receive yen, pay euros	Foreign currency-denominated securities	16,937	–	72
	Receive yen, pay British pounds	Foreign currency-denominated securities	9,566	–	(5)
	Receive yen, pay Thai baht	Foreign currency-denominated securities	1,218	–	(6)
Total			¥ 46,203	¥ –	¥ 21

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 U.S. dollars	Foreign currency-denominated securities	\$ 122,070	\$ –	\$ (257)
	Receive yen, pay euros	Foreign currency-denominated securities	111,870	–	476
	Receive yen, pay British pounds	Foreign currency-denominated securities	63,184	–	(39)
	Receive yen, pay Thai baht	Foreign currency-denominated securities	8,049	–	(41)
Total			\$ 305,173	\$ –	\$ 139

As of March 31, 2023

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 U.S. dollars	Borrowings	¥ 7,256	¥ –	¥ (200)
	Receive yen, pay Thai baht	Borrowings	1,134	–	(10)
Total			¥ 8,391	¥ –	¥ (210)

(2) Interest rate-related

As of March 31, 2024

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	¥ 37,854	¥ 26,242	¥ 319
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	15,071	10,570	(Note)
Total			¥ 52,925	¥ 36,812	¥ 319

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	\$ 250,027	\$ 173,331	\$ 2,109
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	99,545	69,815	(Note)
Total			\$ 349,572	\$ 243,146	\$ 2,109

Note: Since interest rate swaps which are subject to accounting under exceptional treatment of interest rate swaps are accounted for as part of borrowings that are hedged items, their fair value is included in the relevant borrowings.

As of March 31, 2023

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	¥ 51,849	¥ 27,770	¥ 623
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	8,243	7,423	(Note)
Total			¥ 60,093	¥ 35,194	¥ 623

Note: Since interest rate swaps which are subject to accounting under exceptional treatment of interest rate swaps are accounted for as part of borrowings that are hedged items, their fair value is included in the relevant borrowings.



#### XIV. Retirement benefits

##### 1. Overview of the Group's retirement benefits plan

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

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

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

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

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

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

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

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

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

	Millions of yen		Thousands of U.S. dollars	
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)	
Retirement benefit obligations at beginning of year	¥ 13,466	¥ 13,337	\$ 88,948	
Service cost	611	595	4,040	
Interest cost	69	69	459	
Actuarial gains or losses	(1,437)	81	(9,494)	
Retirement benefits paid	(629)	(618)	(4,159)	
Retirement benefit obligations at end of year	¥ 12,080	¥ 13,466	\$ 79,795	

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
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Plan assets at beginning of year	¥ 12,368	¥ 11,889	\$ 81,693
Expected return on plan assets	214	221	1,415
Actuarial gains or losses	930	(195)	6,146
Contribution from employer	482	853	3,190
Retirement benefits paid	(478)	(400)	(3,163)
Plan assets at end of year	¥ 13,517	¥ 12,368	\$ 89,281

(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, 2024	As of March 31, 2023	As of March 31, 2024
Retirement benefit obligations for funded pension plans	¥ 12,080	¥ 13,466	\$ 79,795
Plan assets	(13,517)	(12,368)	(89,281)
Net assets or liabilities recorded in the consolidated balance sheets	(1,436)	1,098	(9,486)
Retirement benefit liability	739	1,621	4,887
Retirement benefit asset	(2,176)	(523)	(14,373)
Net assets or liabilities recorded in the consolidated balance sheets	¥ (1,436)	¥ 1,098	\$ (9,486)

(4) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Service cost	¥ 611	¥ 595	\$ 4,040
Interest cost	69	69	459
Expected return on plan assets	(214)	(221)	(1,415)
Amortization of actuarial loss	(2,104)	140	(13,902)
Other	(63)	(54)	(418)
Retirement benefit expenses for defined-benefit pension plan	¥ (1,701)	¥ 529	\$ (11,237)

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
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Actuarial gains or losses	¥ 263	¥ 257	\$ 1,738

(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, 2024	As of March 31, 2023	As of March 31, 2024
Unrecognized actuarial gains or losses	¥ (562)	¥ (299)	\$ (3,718)

(7) Plan assets

1) Breakdown of plan assets

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

	As of March 31, 2024	As of March 31, 2023
	%	%
Bonds	35	38
Shares	20	16
Cash and deposits	5	5
General account	28	31
Other	12	10
Total	100	100

Note: The total includes retirement benefits trust established for corporate pension plan at 6% in the fiscal year ended March 31, 2024 and 4% in the fiscal year ended March 31, 2023.

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, 2024	As of March 31, 2023
	%	%
Discount rate	0.10 - 1.00	0.10 - 1.00
Expected long-term rate of return	1.00 - 2.50	1.00 - 2.50
Expected increase in salary	1.28 - 3.69	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
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Retirement benefit liability at beginning of year	¥ 1,500	¥ 1,438	\$ 9,913
Retirement benefit expenses	197	233	1,303
Retirement benefits paid	(166)	(170)	(1,098)
Retirement benefit liability at end of year	¥ 1,531	¥ 1,500	\$ 10,118

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, 2024	As of March 31, 2023	As of March 31, 2024	
Retirement benefit obligations for funded pension plans	¥ 652	¥ 649	\$ 4,309	
Plan assets	(168)	(166)	(1,113)	
	483	482	3,196	
Retirement benefit obligations for unfunded pension plans	1,048	1,017	6,922	
Net assets or liabilities recorded in the consolidated balance sheets	1,531	1,500	10,118	
Retirement benefit liability	1,531	1,500	10,118	
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,531	¥ 1,500	\$ 10,118	

(3) Retirement benefit expenses

Retirement benefit expenses calculated by simplified accounting method

FY2023 (April 1, 2023 - March 31, 2024): ¥197 million (U.S.\$1,303 thousand)

FY2022 (April 1, 2022 - March 31, 2023): ¥233 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, 2024 and 2023 the amount required to be contributed by the Company and consolidated subsidiaries to the defined-contribution pension plan amounted to ¥211 million (U.S.\$1,394 thousand) and ¥198 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, 2024 and 2023 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 ¥263 million (U.S.\$1,742 thousand) and ¥253 million, respectively. The contribution is accounted for in the same manner with a defined-contribution pension plan.

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024	
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023	
Amount of plan assets	¥ 18,310	¥ 17,742	\$ 120,944	
Actuarial liability under pension funding programs	19,064	18,433	125,924	
Difference	¥ (753)	¥ (690)	\$ (4,980)	

- (2) Premium contribution ratio for the Group's contribution to multi-employer type of pension plan  
FY2023: 14.614% (From April 1, 2023 to March 31, 2024)  
FY2022: 14.869% (From April 1, 2022 to March 31, 2023)

(3) Supplementary explanation

The main reasons for the difference in (1) above are the balance of prior service obligations under pension funding programs (¥5,738 million (U.S.\$37,903 thousand) in the fiscal year ended March 31, 2024, ¥6,235 million in the fiscal year ended March 31, 2023) and general reserve (¥4,984 million (U.S.\$32,923 thousand) in the fiscal year ended March 31, 2024, ¥3,728 million in the fiscal year ended March 31, 2023).

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

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

## XV. Stock options, etc.

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

Not applicable

2. Gains on expiration of unexercised stock options

Not applicable

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 2009	Stock options for 2010	Stock options for 2011
Class and number of grantees (Note 1)	Directors of the Company: 8 Executive officers of the Company: 15	Directors of the Company: 7 Executive officers of the Company: 17	Directors of the Company: 7 Executive officers of the Company: 16
Number and type of stock options (Note 2)	Common shares: 84,600 shares	Common shares: 61,300 shares	Common shares: 54,800 shares
Grant date	October 15, 2009	October 15, 2010	October 14, 2011
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2009 – October 14, 2039 (Note 5)	October 15, 2010 – October 14, 2040 (Note 5)	October 14, 2011 – October 13, 2041 (Note 5)

	Stock options for 2012	Stock options for 2013	Stock options for 2014
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: 18	Directors of the Company: 7 Executive officers of the Company: 18
Number and type of stock options (Note 2)	Common shares: 73,000 shares	Common shares: 42,000 shares	Common shares: 35,500 shares
Grant date	October 16, 2012	October 15, 2013	October 15, 2014
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 16, 2012 – October 15, 2042 (Note 5)	October 15, 2013 – October 14, 2043 (Note 5)	October 15, 2014 – October 14, 2044 (Note 5)

	Stock options for 2015	Stock options for 2016	Stock options for 2017
Class and number of grantees (Note 1)	Directors of the Company: 7 Executive officers of the Company: 19	Directors of the Company: 7 Executive officers of the Company: 21	Directors of the Company: 6 Executive officers of the Company: 22
Number and type of stock options (Note 2)	Common shares: 28,600 shares	Common shares: 34,700 shares	Common shares: 22,200 shares
Grant date	October 15, 2015	October 14, 2016	October 16, 2017
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2015 – October 14, 2045 (Note 5)	October 14, 2016 – October 13, 2046 (Note 5)	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, 2024 is translated into the number of shares.

1) Number of stock options

	Stock options for 2009	Stock options for 2010	Stock options for 2011
Pre-vesting (shares)			
Previous fiscal year-end	–	–	–
Granted	–	–	–
Expired	–	–	–
Vested	–	–	–
Balance unvested	–	–	–
Post-vesting (shares)			
Previous fiscal year-end	6,800	12,100	16,200
Vested	–	–	–
Exercised	6,800	12,100	13,600
Expired	–	–	–
Balance unexercised	–	–	2,600

	Stock options for 2012	Stock options for 2013	Stock options for 2014
Pre-vesting (shares)			
Previous fiscal year-end	–	–	–
Granted	–	–	–
Expired	–	–	–
Vested	–	–	–
Balance unvested	–	–	–
Post-vesting (shares)			
Previous fiscal year-end	22,100	12,600	19,200
Vested	–	–	–
Exercised	14,000	6,300	7,900
Expired	–	–	–
Balance unexercised	8,100	6,300	11,300

	Stock options for 2015	Stock options for 2016	Stock options for 2017
Pre-vesting (shares)			
Previous fiscal year-end	–	–	–
Granted	–	–	–
Expired	–	–	–
Vested	–	–	–
Balance unvested	–	–	–
Post-vesting (shares)			
Previous fiscal year-end	17,000	22,700	18,100
Vested	–	–	–
Exercised	5,400	6,600	7,000
Expired	–	–	–
Balance unexercised	11,600	16,100	11,100



2) Unit price

	Stock options for 2009 Yen	Stock options for 2010 Yen	Stock options for 2011 Yen
Exercise price	¥ 1	¥ 1	¥ 1
Average price per share at exercise	9,522	9,699	9,706
Fair value at grant date	1,668	2,218	2,449

	Stock options for 2012 Yen	Stock options for 2013 Yen	Stock options for 2014 Yen
Exercise price	¥ 1	¥ 1	¥ 1
Average price per share at exercise	9,951	9,541	10,151
Fair value at grant date	1,943	3,556	3,584

	Stock options for 2015 Yen	Stock options for 2016 Yen	Stock options for 2017 Yen
Exercise price	¥ 1	¥ 1	¥ 1
Average price per share at exercise	9,976	9,886	10,228
Fair value at grant date	4,653	4,606	6,840

4. Estimation method for fair value of stock options

Not applicable

5. Estimation method for the number of vested stock options

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

## XVI. Tax effect accounting

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Deferred tax assets			
Loss on valuation of investment securities, etc.	¥ 2,733	¥ 1,328	\$ 18,054
Investment tax credits	2,442	—	16,133
Deferred gains or losses on hedges	2,399	560	15,850
Tax loss carried forward	1,811	14	11,965
Excess of allowance for doubtful accounts	1,534	1,655	10,133
Other operating assets	1,492	0	9,857
Guarantee deposits received	1,272	1,328	8,405
Enterprise taxes payable	1,220	2,863	8,063
Provision for bonuses	997	914	6,586
Accrued expenses	710	760	4,691
Retirement benefit liability	651	983	4,304
Non-deductible consumption tax	336	407	2,224
Revenue recognized for tax purposes	288	268	1,906
Prepaid expenses	277	258	1,835
Asset retirement obligations	240	657	1,590
Excess of depreciation	206	235	1,361
Gain on transfer of receivables	78	67	518
Loss on liquidation of subsidiaries and associates	—	532	—
Other	2,425	2,333	16,018
Subtotal deferred tax assets	21,119	15,169	139,493
Valuation allowance related to total deductible temporary differences	(118)	(123)	(784)
Subtotal valuation allowance	(118)	(123)	(784)
Total deferred tax assets	21,000	15,046	138,709
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥ (29,191)	¥ (17,859)	\$ (192,812)
Depreciation	(5,204)	(4,473)	(34,377)
Foreign subsidiary's unitary tax	(4,204)	(2,814)	(27,769)
Intangible assets	(2,396)	(3,064)	(15,828)
Gain on valuation of investment securities	(1,148)	(1,148)	(7,583)
Gain on transfer of receivables	(683)	(824)	(4,513)
Other	(1,404)	(1,518)	(9,279)
Total deferred tax liabilities	(44,233)	(31,702)	(292,162)
Net deferred tax liabilities	¥ (23,232)	¥ (16,656)	\$ (153,453)

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, 2024	As of March 31, 2023
Statutory effective tax rate	30.6%	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.
(Adjustments)		
Non-deductible expenses such as entertainment expenses	0.1	
Non-taxable dividend income	(0.9)	
Local tax on per capita basis, etc.	0.1	
Share of loss (profit) of entities accounted for using equity method	(3.1)	
Foreign subsidiary's unitary tax	(2.1)	
Differences in applicable tax rates between parent and subsidiaries	(1.1)	
Amortization of goodwill	0.8	
Investment tax credits	0.2	
Other	1.1	
Effective tax rate after adoption of tax effect accounting	25.7	

## **XVII. Business combinations, etc.**

### **Finalization of the provisional accounting treatment for business combinations**

For the business combination with Pacific Rim Capital, Inc. that was conducted on January 6, 2023, the provisional accounting treatment that was carried out in the fiscal year ended March 31, 2023 has been finalized in the fiscal year ended March 31, 2024.

Material changes to the initial allocation of acquisition costs as a result of the finalization of the provisional accounting treatment have been reflected.

As a result, the provisionally calculated amount of goodwill of ¥7,483 million as of March 31, 2023 has been reduced by ¥2,278 million (U.S.\$15,052 thousand) to ¥5,204 million (U.S.\$34,379 thousand). In addition, intangible assets and deferred tax liabilities increased by ¥1,883 million (U.S.\$12,441 thousand) and ¥1,123 million (U.S.\$7,423 thousand), respectively.

The amortization period of goodwill is 20 years.

Also, there is no impact on the consolidated statement of income for the previous fiscal year.

## **XVIII. Asset retirement obligations**

This information has been omitted because of immateriality.

## **XIX. Real estate leasing business**

The Company and some of its consolidated subsidiaries own assets such as commercial facilities for lease and office buildings (including land) for lease in Tokyo and other regions. Net lease income from these assets amounted to ¥12,719 million (U.S.\$84,012 thousand) and ¥9,184 million (lease income and lease cost were generally recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2024 and 2023, respectively.

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

		Millions of yen		Thousands of U.S. dollars
		FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Book value				
	Beginning of year	¥ 500,617	¥ 397,170	\$ 3,306,588
	Net change	63,142	103,446	417,055
	End of year	563,759	500,617	3,723,644
Fair value at end of year		¥ 578,566	¥ 512,182	\$ 3,821,445

- 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 ¥235,714 million (U.S.\$1,556,897 thousand) and ¥200,716 million, in the fiscal years ended March 31, 2024 and 2023, 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, 2024. For other properties, the Company reasonably estimated the fair value based on income approach or market approach while the Company used their book value as the fair value for certain properties.

## XX. Revenue recognition

### 1. Information on disaggregation of revenue from contracts with customers

FY2023 (From April 1, 2023 to March 31, 2024)

	Millions of yen			
	Reportable segments			
	Lease and Installment Sales	Financing	Other	Total
Revenue from contracts with customers				
Revenue from sale of leased properties	¥ 194,746	¥ –	¥ –	¥ 194,746
Provision of services, etc.	3,476	55	53,121	56,654
Total	198,223	55	53,121	251,400
Other revenue	421,611	32,614	2,911	457,137
Revenues from external customers	¥ 619,834	¥ 32,670	¥ 56,032	¥ 708,538

	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	\$ 1,286,304	\$ –	\$ –	\$ 1,286,304
Provision of services, etc.	22,965	370	350,869	374,204
Total	1,309,269	370	350,869	1,660,508
Other revenue	2,784,750	215,421	19,230	3,019,401
Revenues from external customers	\$ 4,094,020	\$ 215,790	\$ 370,099	\$ 4,679,909

FY2022 (From April 1, 2022 to March 31, 2023)

	Millions of yen			
	Reportable segments			
	Lease and Installment Sales	Financing	Other	Total
Revenue from contracts with customers				
Revenue from sale of leased properties	¥ 181,659	¥ –	¥ –	¥ 181,659
Provision of services, etc.	3,232	79	47,968	51,280
Total	184,891	79	47,968	232,939
Other revenue	426,972	26,128	2,614	455,715
Revenues from external customers	¥ 611,863	¥ 26,208	¥ 50,583	¥ 688,655

### 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.”

## XXI. 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 operational 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.

The segment information for the fiscal year ended March 31, 2023 is presented using figures reflecting material changes to the initial allocation of acquisition costs, which arose due to the finalization of the provisional accounting treatment for business combinations.

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

FY2023 (From April 1, 2023 to March 31, 2024)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 619,834	¥ 32,670	¥ 56,032	¥ 708,538
Transactions with other segments	733	6,096	2,723	9,553
Net sales	620,567	38,767	58,756	718,091
Segment profit	¥ 42,047	¥ 18,703	¥ 11,574	¥ 72,325
Segment assets	¥ 1,847,177	¥ 1,236,952	¥ 142,498	¥ 3,226,628
Other items				
Depreciation	45,721	—	3,898	49,619
Amortization of goodwill	309	324	1,176	1,810
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	¥ 356,077	¥ —	¥ 1,601	¥ 357,679

	Thousands of U.S. dollars			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	\$ 4,094,020	\$ 215,790	\$ 370,099	\$ 4,679,909
Transactions with other segments	4,843	40,268	17,990	63,101
Net sales	4,098,862	256,058	388,089	4,743,010
Segment profit	\$ 277,723	\$ 123,535	\$ 76,450	\$ 477,708
Segment assets	\$ 12,200,646	\$ 8,170,096	\$ 941,206	\$ 21,311,948
Other items				
Depreciation	301,993	—	25,748	327,740
Amortization of goodwill	2,044	2,143	7,773	11,960
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	\$ 2,351,902	\$ —	\$ 10,581	\$ 2,362,483

FY2022 (From April 1, 2022 to March 31, 2023)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 611,863	¥ 26,208	¥ 50,583	¥ 688,655
Transactions with other segments	741	3,584	2,742	7,069
Net sales	612,605	29,792	53,326	695,724
Segment profit	¥ 36,679	¥ 18,605	¥ 10,106	¥ 65,390
Segment assets	¥ 1,739,487	¥ 1,128,429	¥ 135,058	¥ 3,002,976
Other items				
Depreciation	40,595	—	3,138	43,734
Amortization of goodwill	49	324	1,246	1,619
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	¥ 216,032	¥ —	¥ 6,244	¥ 222,276

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
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Reportable segments total	¥ 718,091	¥ 695,724	\$ 4,743,010
Eliminations	(9,553)	(7,069)	(63,101)
Net sales reported on the consolidated statements of income	¥ 708,538	¥ 688,655	\$ 4,679,909

Profit	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Reportable segments total	¥ 72,325	¥ 65,390	\$ 477,708
Eliminations	(1,793)	(2,451)	(11,849)
Corporate expenses (Note)	(10,484)	(11,377)	(69,253)
Operating profit reported on the consolidated statements of income	¥ 60,046	¥ 51,561	\$ 396,607

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
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Reportable segments total	¥ 3,226,628	¥ 3,002,976	\$ 21,311,948
Corporate assets (Note)	163,696	148,647	1,081,215
Total assets reported on the consolidated balance sheets	¥ 3,390,324	¥ 3,151,624	\$ 22,393,164

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
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Reportable segments total	¥ 49,619	¥ 43,734	\$ 327,740
Adjustment	2,422	2,161	15,998
Amounts reported on the consolidated financial statements	¥ 52,042	¥ 45,895	\$ 343,739

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

Amortization of goodwill	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Reportable segments total	¥ 1,810	¥ 1,619	\$ 11,960
Adjustment	—	—	—
Amounts reported on the consolidated financial statements	¥ 1,810	¥ 1,619	\$ 11,960

Investments in entities accounted for using equity method	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Reportable segments total	¥ —	¥ —	\$ —
Adjustment	49,172	45,804	324,783
Amounts reported on the consolidated financial statements	¥ 49,172	¥ 45,804	\$ 324,783



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
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Reportable segments total	¥ 357,679	¥ 222,276	\$ 2,362,483
Adjustment	3,269	2,676	21,596
Amounts reported on the consolidated financial statements	¥ 360,949	¥ 224,952	\$ 2,384,079

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

FY2023 (From April 1, 2023 to March 31, 2024)

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

FY2022 (From April 1, 2022 to March 31, 2023)

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

### 2. Information for each region

FY2023 (From April 1, 2023 to March 31, 2024)

#### (1) Revenues from external customers

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

#### (2) Property, plant and equipment

Millions of yen					
Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
¥ 728,505	¥ 102,716	¥ 146,942	¥ 18	¥ 396	¥ 978,579

Thousands of U.S. dollars					
Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
\$ 4,811,791	\$ 678,446	\$ 970,561	\$ 123	\$ 2,618	\$ 6,463,539

- 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, Canada, Mexico  
 Europe: United Kingdom, Ireland  
 Asia: China, Taiwan, Singapore, Thailand

FY2022 (From April 1, 2022 to March 31, 2023)

#### (1) Revenues from external customers

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

#### (2) Property, plant and equipment

Millions of yen					
Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
¥ 673,796	¥ 28,076	¥ 139,830	¥ 21	¥ 344	¥ 842,070

- 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, Canada, Mexico  
 Europe: United Kingdom, Ireland

Asia: China, Taiwan, Singapore, Thailand

3. Information for each of main customers

FY2023 (From April 1, 2023 to March 31, 2024)

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.

FY2022 (From April 1, 2022 to March 31, 2023)

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

FY2023 (From April 1, 2023 to March 31, 2024)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ 1,840	¥ –	¥ 1,769	¥ 310	¥ 3,920

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	\$ 12,160	\$ –	\$ 11,688	\$ 2,048	\$ 25,896

FY2022 (From April 1, 2022 to March 31, 2023)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ –	¥ –	¥ 0	¥ –	¥ 0

- Notes: 1. The impairment losses on “Lease and Installment Sales” are recorded in cost of sales.  
2. The amount in “Corporate/Elimination” is the impairment losses relating to corporate assets that are not attributable to any particular segment.

## Amortization and unamortized balance of goodwill for each reportable segment

FY2023 (From April 1, 2023 to March 31, 2024)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ 5,043	¥ 4,136	¥ 14,076	¥ –	¥ 23,256

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	\$ 33,310	\$ 27,319	\$ 92,979	\$ –	\$ 153,608

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

FY2022 (From April 1, 2022 to March 31, 2023)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ 5,352	¥ 4,460	¥ 15,893	¥ –	¥ 25,707

- Notes: 1. The information about amortization of goodwill is omitted as it is identical to that in segment information.  
2. The amount in “Lease and Installment Sales” is presented using figures reflecting material changes to the initial allocation of acquisition costs, which arose due to the finalization of the provisional accounting treatment for business combinations.

## Information about gain on bargain purchase for each reportable segment

FY2023 (From April 1, 2023 to March 31, 2024)

Not applicable

FY2022 (From April 1, 2022 to March 31, 2023)

Not applicable

## 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.

FY2023 (From April 1, 2023 to March 31, 2024)

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	¥310	Lease receivables and investments in leases	¥18,641
							Purchase of operating assets	¥35,144		
							Sale of operating assets	¥3,568		

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Thousands of U.S. dollars)	Account title	Year-end balance (Thousands of U.S. dollars)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	\$737,180	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	\$2,053	Lease receivables and investments in leases	\$123,129
							Purchase of operating assets	\$232,129		
							Sale of operating assets	\$23,570		

- 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, 2024.

FY2022 (From April 1, 2022 to March 31, 2023)

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	¥67	Lease receivables and investments in leases	¥17,259
							Purchase of operating assets	¥41,758		
							Sale of operating assets	¥65,740		

- 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, 2023.

(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.

FY2023 (From April 1, 2023 to March 31, 2024)

Not applicable

FY2022 (From April 1, 2022 to March 31, 2023)

Not applicable

2. Notes to parent company and significant associates

(1) Parent company's information

There is no parent company.

(2) Summary financial information for significant associates

There are no significant associates.

## XXII. Information on special purpose entities

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Number of special purpose entities	Three companies	Three companies	Three companies
Total value of assets as of the latest balance sheet date (without elimination of inter-company transactions)	¥ 4,702	¥ 21,557	\$ 31,061
Total value of liabilities as of the latest balance sheet date (without elimination of intercompany transactions)	4,696	21,550	31,022

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

FY2023 (From April 1, 2023 to March 31, 2024)

Not applicable

FY2022 (From April 1, 2022 to March 31, 2023)

	Amount of major transactions or the balance as of the end of the fiscal year (Millions of yen)	Major gain or loss	
		Item	Amount (Millions of yen)
Transferred assets (Note 1) Lease receivables and investments in leases	¥ 2,817	Gain on transfer (Note 2)	¥ 76

- Notes: 1. The amount of transactions related to transferred assets is the book value as of the time of transfer.  
2. Gain on transfer related to transferred assets is presented in net sales.

### XXIII. Per share information

	Yen		U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Net assets per share	¥ 14,357.66	¥ 12,227.88	\$ 94.83
Basic earnings per share	1,571.44	1,299.27	10.38
Diluted earnings per share	1,567.02	1,292.42	10.35

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 those treasury shares include 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 147,700 shares for the fiscal year ended March 31, 2024 and 149,800 shares for the fiscal year ended March 31, 2023.

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 those treasury shares include 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 147,837 shares for the fiscal year ended March 31, 2024 and 151,368 shares for the fiscal year ended March 31, 2023.

3. Calculation basis of net assets per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Total net assets	¥ 477,326	¥ 410,197	\$ 3,152,754
Amounts excluded from total net assets	45,651	43,554	301,529
Of which, share acquisition rights	289	541	1,909
Of which, non-controlling interests	45,362	43,012	299,620
Net assets attributable to common shares	431,675	366,642	2,851,225
Number of common shares as of the fiscal year-end used in the calculation of net assets per share (thousands shares)	30,065	29,984	30,065

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

	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Basic earnings per share			
Profit attributable to owners of parent	¥ 47,219	¥ 38,939	\$ 311,884
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	47,219	38,939	311,884
Average number of shares during the period (thousands shares)	30,048	29,970	30,048
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ —	¥ —	\$ —
Increase in the number of common shares (thousands shares)	84	158	84
Residual securities that are not dilutive and not included in the calculation of diluted earnings per share	—	—	—



## **XXIV. Subsequent events**

### **Corporate bond issuance**

The Company issued straight bonds as follows:

- (1) Issue name: Fuyo General Lease Co., Ltd., No. 41 unsecured straight bond (Sustainability-Linked Bond)
- (2) Issuance amount: ¥30,000 million (U.S.\$198,151 thousand)
- (3) Issuance date: April 26, 2024
- (4) Issue price: ¥100 per ¥100 of face value
- (5) Coupon rate: 0.831% per year
- (6) Redemption date: April 26, 2029
- (7) Use of proceeds: To fund capital investments

In addition, the Company issued overseas unsecured straight bonds as follows:

- (1) Issue name: No. 8 U.S. dollar-denominated unsecured straight bond (issued under an MTN program)
  - (2) Issuance amount: U.S.\$20,000 thousand
  - (3) Issuance date: July 25, 2024
  - (4) Issue price: 100% of face value
  - (5) Coupon rate: 5.118% per year
  - (6) Redemption date: July 23, 2027
  - (7) Use of proceeds: Funds for general corporate purposes
- 
- (1) Issue name: No. 9 U.S. dollar-denominated unsecured straight bond (issued under an MTN program)
  - (2) Issuance amount: U.S.\$80,000 thousand
  - (3) Issuance date: July 25, 2024
  - (4) Issue price: 100% of face value
  - (5) Coupon rate: 5.243% per year
  - (6) Redemption date: July 25, 2029
  - (7) Use of proceeds: Funds for general corporate purposes