

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, 2026, 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, 2026, 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, including those applicable to audits of financial statements of public interest entities, 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
Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group) are engaged in leasing, installment sales, commercial loan origination, and other financial services. The Group recorded assets for lease of ¥1,074,174 million in property, plant and equipment, at cost less accumulated depreciation, on the consolidated balance sheet as of March 31, 2026. Real estate lease assets with a carrying amount of ¥541,161 million were recognized as described in Note XX. "Real estate leasing business," to the consolidated financial statements. These assets account for 14% of consolidated total assets. As described in "4. Summary of significant accounting policies," "(2) Depreciation and amortization" under Note I. "Basis of presentation," in the notes to consolidated financial statements, assets leased under operating lease transactions are depreciated to their residual value using the straight-line method over the lease term and depreciation expense is recorded in 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. 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 inaccurate estimation of the residual value can have a considerable impact on profit or loss calculations. 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.	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 materiality, the remaining number of years, and the type of lease payments: (1) Audit procedures performed for selected assets acquired in the fiscal year ended March 31, 2026 • In order to evaluate the inputs, such as rents and the occupancy rates of the properties, which form the basis for calculating future cash flows used by the Group in estimating the residual value, we inspected external evidence, including real estate valuation reports, by involving the real estate valuation experts from our network firm. • We 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. • We recalculated the residual value to evaluate the Group's estimation process. (2) Audit procedures performed for selected assets acquired in previous years In order to evaluate the Group's estimate of the residual value, we compared the estimates of future cash flows with actual results. (3) Audit procedures performed for selected assets sold during the fiscal year ended March 31, 2026 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.

Determinations regarding impairment of goodwill	
Description of Key Audit Matter	Auditor's Response
The Group pursues corporate acquisitions with the aim of further expanding and growing its business and recorded goodwill of ¥36,948 million on the consolidated balance sheet as of March 31, 2026. This goodwill is primarily attributable to the acquisition of Wako Pallet Co., Ltd., INVOICE Inc., Fuyo BPO Holdings Co., Ltd., Pacific Rim Capital, Inc. and Accretive Co., Ltd. As described in “4. Summary of significant accounting policies,” “(9) Amortization method and period of goodwill,” under Note I. “Basis of presentation,” in the notes to consolidated financial statements, the Group systematically amortizes goodwill arising from business combinations over its effective period. However, it is necessary to recognize an impairment loss if the Group has determined that there are indications of impairment for businesses that include goodwill, as the expected revenues at the time of their acquisition may no longer be achievable due to changes in its operating environment and the total undiscounted future cash flows expected from these businesses fall below their book values. The Group determines whether there are indications of impairment by comparing the initial business plans at the time of acquiring each subsidiary and actual results, analyzing the factors behind any discrepancies, and considering future earnings forecasts based on these analyses. This process involves management's judgment regarding the current and future operating environments. Based on the above, we have determined the determinations regarding impairment of goodwill to be a key audit matter.	In considering the determinations by the Group related to indications of impairment for goodwill arising from business combinations, we performed the following audit procedures for businesses that include goodwill, among others: • In order to assess judgments on whether there has been a significant deterioration in the operating environment, we compared the initial business plans at the time of acquiring each subsidiary to the actual results until the end of the fiscal year ended March 31, 2026, and conducted a factor analysis of the differences between the planned and actual figures. • To assess judgments regarding the likelihood of significant deterioration in future operating environments, we made inquiries with the responsible departments about the basis for the projected sales growth rates of each subsidiary, performed trend analysis, and compared the projections to external data, such as growth rates of the industries to which each subsidiary belongs. • To assess judgments regarding the occurrence or expected occurrence of changes resulting in a significant reduction in recoverable amounts, we made inquiries of management and inspected relevant documentation. We examined the consistency between the initial business plans of each subsidiary and the overall management policy and medium-term management plan of the Group for the fiscal year ended March 31, 2026, and later.

Impairment of operational investment securities related to specific alliance partners	
Description of Key Audit Matter	Auditor's Response
As described in “3. Impairment losses on securities” under “XIII. Securities,” in the notes to consolidated financial statements, the Group determines that a decline is significant when the fair value of securities held at the end of the fiscal year has declined by 50% or more compared with the acquisition cost, and recognizes impairment losses accordingly. As described in “*2 Cost of sales, provision of allowance for doubtful accounts and bad debt expenses” under “VII. Notes for consolidated statements of income,” in the notes to consolidated financial statements, the Group recognized impairment losses on operational investment securities issued by a counterparty established to finance individual renewable energy projects in Europe led by specific alliance partners. The fair value of these securities declined significantly in the current fiscal year due to concerns regarding the recoverability of principal and interest, and the resulting valuation loss of ¥24,766 million was recognized in cost of sales. Such impairment losses recognized are material. Furthermore, the selection and application of valuation techniques for the operational investment securities and the fair value measurements based on those techniques require a high degree of specialized knowledge, such as assessing the discount rates used. Based on the above, we have determined the impairment of operational investment securities related to specific alliance partners to be a key audit matter.	We performed the following audit procedures, among others, to evaluate the impairment of operational investment securities related to specific alliance partners recognized in the current fiscal year. • To assess the valuation techniques selected and applied by the Group, as well as the discount rates used in the fair value measurement of operational investment securities, we involved experts from our network firm, made inquiries with the responsible departments, and examined relevant documents. To evaluate the discount rates, we compared the discount rates used by the Group with those independently calculated by our experts based on their own estimates. • Regarding the future plans for individual renewable energy projects in Europe led by specific alliance partners, which form the basis of the Group 's valuations, we made inquiries with the responsible departments, inspected relevant documents, and obtained confirmations from the alliance partners. • To assess the calculation process used by the Company in determining the impairment loss, we performed recalculations.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review 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, 2026 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 I 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, 2026 are 341 million yen and 87 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 3, 2026

/s/ Yuji Ozawa

Designated Engagement Partner
Certified Public Accountant

/s/ Hiroshi Nishida

Designated Engagement Partner
Certified Public Accountant

/s/ Toru Nakagiri

Designated Engagement Partner
Certified Public Accountant

Consolidated financial statements

Consolidated balance sheets

		Millions of yen		Thousands of U.S. dollars (Note 1)
	Notes	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026
Assets				
Current assets				
Cash and deposits	3	¥ 79,950	¥ 66,598	\$ 499,907
Installment receivables	3	57,904	54,901	362,062
Lease receivables and investments in leases	3	871,432	851,478	5,448,834
Operating loans		498,982	382,529	3,120,004
Accounts receivable - other loans to customers	3, 7	147,751	145,419	923,851
Operational investment securities		590,745	548,116	3,693,778
Other operating assets		25,485	32,016	159,356
Accounts receivable - lease	3	36,725	31,447	229,636
Other	3	105,964	104,834	662,570
Allowance for doubtful accounts		(2,475)	(2,158)	(15,481)
Total current assets		2,412,466	2,215,183	15,084,517
Non-current assets				
Property, plant and equipment				
Assets for lease				
Assets for lease	1, 3, 7	1,030,726	1,024,537	6,444,858
Advances for purchase of assets for lease		43,448	13,988	271,671
Total assets for lease		1,074,174	1,038,525	6,716,529
Other operating assets	1, 3	30,064	32,841	187,983
Own-used assets	1, 3	16,709	16,664	104,483
Total property, plant and equipment		1,120,948	1,088,031	7,008,995
Intangible assets				
Assets for lease		93	75	585
Other intangible assets				
Goodwill		36,948	39,184	231,029
Other	3	32,461	34,246	202,972
Total other intangible assets		69,409	73,431	434,001
Total intangible assets		69,503	73,506	434,586
Investments and other assets				
Investment securities	2, 3	193,030	155,675	1,206,970
Distressed receivables		1,867	30	11,677
Retirement benefit asset		4,617	2,582	28,872
Deferred tax assets		6,948	4,635	43,449
Other		34,182	40,477	213,734
Allowance for doubtful accounts		(3)	(6)	(19)
Total investments and other assets		240,643	203,395	1,504,683
Total non-current assets		1,431,095	1,364,933	8,948,264
Deferred assets				
Organization expenses		1	2	9
Business commencement expenses		161	243	1,012
Total deferred assets		163	245	1,021
Total assets		¥ 3,843,725	¥ 3,580,361	\$ 24,033,802

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, 2026	As of March 31, 2025	As of March 31, 2026
Liabilities				
Current liabilities				
Notes and accounts payable - trade		¥ 46,457	¥ 36,454	\$ 290,483
Short-term borrowings		598,425	608,320	3,741,796
Current portion of bonds payable		81,600	94,496	510,223
Current portion of long-term borrowings	3, 7	528,503	441,624	3,304,594
Commercial papers		292,000	213,000	1,825,799
Payables under securitization of lease receivables	8	9,600	3,500	60,026
Current portion of long-term payables under securitization of lease receivables	8	3,673	3,555	22,968
Lease liabilities		4,092	4,555	25,591
Income taxes payable		14,114	9,011	88,252
Deferred profit on installment sales		1,662	1,319	10,397
Provision for bonuses		3,865	3,596	24,168
Provision for bonuses for directors (and other officers)		291	285	1,822
Provision for share awards for directors (and other officers)		66	99	418
Provision for loss on guarantees		601	50	3,760
Other	3	69,369	56,212	433,750
Total current liabilities		1,654,323	1,476,083	10,344,048
Non-current liabilities				
Bonds payable		414,323	407,470	2,590,652
Long-term borrowings	3, 7	1,071,126	1,034,488	6,697,469
Long-term payables under securitization of lease receivables	8	7,360	1,794	46,022
Lease liabilities		26	32	166
Long-term income taxes payable		—	41	—
Deferred tax liabilities		40,344	34,700	252,264
Retirement benefit liability		2,913	2,677	18,215
Provision for retirement benefits for directors (and other officers)		300	280	1,881
Provision for share awards for directors (and other officers)		1,060	912	6,629
Provision for maintenance costs		3,998	925	24,999
Provision for loss on guarantees		196	221	1,228
Asset retirement obligations		6,194	5,706	38,731
Other		73,249	76,972	458,011
Total non-current liabilities		1,621,092	1,566,224	10,136,266
Total liabilities		3,275,416	3,042,307	20,480,314

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		As of March 31, 2026	As of March 31, 2025	As of March 31, 2026
Net assets				
Shareholders' equity				
Share capital		10,532	10,532	65,855
Capital surplus		1,887	1,902	11,799
Retained earnings		380,676	373,265	2,380,271
Treasury shares		(1,836)	(1,709)	(11,485)
Total shareholders' equity		391,259	383,991	2,446,440
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		77,192	55,417	482,662
Deferred gains or losses on hedges		(15,161)	(9,815)	(94,798)
Foreign currency translation adjustment		49,218	45,306	307,750
Remeasurements of defined benefit plans		374	466	2,340
Total accumulated other comprehensive income		111,623	91,374	697,954
Share acquisition rights		131	197	820
Non-controlling interests		65,295	62,491	408,274
Total net assets		568,309	538,054	3,553,489
Total liabilities and net assets		¥ 3,843,725	¥ 3,580,361	\$ 24,033,802

The accompanying notes are an integral part of these statements.

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

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Net sales	1	¥ 788,669	¥ 678,395	\$ 4,931,341
Cost of sales	2	685,445	558,764	4,285,911
Gross profit		103,223	119,630	645,430
Selling, general and administrative expenses	2, 3	62,680	54,870	391,926
Operating profit		40,542	64,760	253,504
Non-operating income				
Interest income		426	341	2,666
Dividend income		3,734	2,934	23,354
Foreign exchange gains		—	429	—
Gain on investments in investment partnerships		122	65	763
Share of profit of entities accounted for using equity method		—	2,991	—
Recoveries of written off receivables		127	72	795
Reversal of allowance for doubtful accounts		1,143	715	7,148
Reversal of provision for loss on guarantees		—	32	—
Other		589	662	3,684
Total non-operating income		6,142	8,243	38,410
Non-operating expenses				
Interest expenses		4,320	2,942	27,015
Bond issuance costs		43	69	273
Foreign exchange losses		1,076	—	6,730
Loss on investments in investment partnerships		597	248	3,737
Distributions of profit or loss on silent partnerships		459	401	2,872
Share of loss of entities accounted for using equity method		1,737	—	10,866
Other		201	306	1,259
Total non-operating expenses		8,436	3,967	52,753
Ordinary profit		38,249	69,036	239,161
Extraordinary income				
Gain on sale of investment securities		1,424	33	8,909
Gain on bargain purchase		1,040	—	6,506
Compensation income for damage	4	100	—	631
Other		88	—	551
Total extraordinary income		2,654	33	16,598
Extraordinary losses				
Loss on sale of investment securities		238	—	1,492
Loss on valuation of investment securities		347	161	2,176
Impairment losses	5	255	14	1,599
Loss on disposal of non-current assets	6	28	21	178
System failure response costs	4	62	—	391
Other		—	8	—
Total extraordinary losses		933	206	5,836
Profit before income taxes		39,970	68,863	249,923
Income taxes - current		23,397	16,608	146,296
Income taxes - deferred		(8,276)	4,726	(51,749)
Total income taxes		15,120	21,335	94,547
Profit		24,849	47,527	155,376
Profit attributable to non-controlling interests		3,283	2,249	20,532
Profit attributable to owners of parent		¥ 21,565	¥ 45,277	\$ 134,844

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)
		FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Profit		¥ 24,849	¥ 47,527	\$ 155,376
Other comprehensive income				
Valuation difference on available-for-sale securities		21,790	(6,343)	136,249
Deferred gains or losses on hedges		(5,303)	2,066	(33,162)
Foreign currency translation adjustment		3,488	17,224	21,810
Remeasurements of defined benefit plans, net of tax		274	(72)	1,718
Share of other comprehensive income of entities accounted for using equity method		1,134	(517)	7,095
Total other comprehensive income	1	21,384	12,357	133,709
Comprehensive income		¥ 46,233	¥ 59,885	\$ 289,085
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		¥ 41,814	¥ 58,148	\$ 261,456
Comprehensive income attributable to non-controlling interests		4,418	1,736	27,629

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in equity

FY2025 (From April 1, 2025 to March 31, 2026)

(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	¥ 373,265	¥ (1,709)	¥ 383,991
Changes during period					
Dividends of surplus			(14,123)		(14,123)
Profit attributable to owners of parent			21,565		21,565
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares			(30)	176	146
Change in scope of equity method				(302)	(302)
Purchase of shares of consolidated subsidiaries		(15)			(15)
Net changes in items other than shareholders' equity					
Total changes during period	—	(15)	7,411	(127)	7,268
Balance at end of period	¥ 10,532	¥ 1,887	¥ 380,676	¥ (1,836)	¥ 391,259

(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	¥ 55,417	¥ (9,815)	¥ 45,306	¥ 466	¥ 91,374	¥ 197	¥ 62,491	¥ 538,054
Changes during period								
Dividends of surplus								(14,123)
Profit attributable to owners of parent								21,565
Purchase of treasury shares								(1)
Disposal of treasury shares								146
Change in scope of equity method								(302)
Purchase of shares of consolidated subsidiaries								(15)
Net changes in items other than shareholders' equity	21,775	(5,345)	3,912	(92)	20,249	(66)	2,803	22,986
Total changes during period	21,775	(5,345)	3,912	(92)	20,249	(66)	2,803	30,254
Balance at end of period	¥ 77,192	¥ (15,161)	¥ 49,218	¥ 374	¥ 111,623	¥ 131	¥ 65,295	¥ 568,309

FY2024 (From April 1, 2024 to March 31, 2025)

(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	¥ 342,268	¥ (1,532)	¥ 353,171
Changes during period					
Dividends of surplus			(14,205)		(14,205)
Profit attributable to owners of parent			45,277		45,277
Purchase of treasury shares				(499)	(499)
Disposal of treasury shares			(75)	322	246
Net changes in items other than shareholders' equity					
Total changes during period	–	–	30,997	(177)	30,819
Balance at end of period	¥ 10,532	¥ 1,902	¥ 373,265	¥ (1,709)	¥ 383,991

(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	¥ 61,773	¥ (11,953)	¥ 28,268	¥ 415	¥ 78,504	¥ 289	¥ 45,362	¥ 477,326
Changes during period								
Dividends of surplus								(14,205)
Profit attributable to owners of parent								45,277
Purchase of treasury shares								(499)
Disposal of treasury shares								246
Net changes in items other than shareholders' equity	(6,356)	2,138	17,037	51	12,870	(91)	17,129	29,907
Total changes during period	(6,356)	2,138	17,037	51	12,870	(91)	17,129	60,727
Balance at end of period	¥ 55,417	¥ (9,815)	¥ 45,306	¥ 466	¥ 91,374	¥ 197	¥ 62,491	¥ 538,054

FY2025 (From April 1, 2025 to March 31, 2026)

(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	\$ 65,855	\$ 11,899	\$ 2,333,929	\$ (10,688)	\$ 2,400,995
Changes during period					
Dividends of surplus			(88,313)		(88,313)
Profit attributable to owners of parent			134,844		134,844
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares			(190)	1,103	914
Change in scope of equity method				(1,892)	(1,892)
Purchase of shares of consolidated subsidiaries		(99)			(99)
Net changes in items other than shareholders' equity					
Total changes during period	—	(99)	46,342	(797)	45,446
Balance at end of period	\$ 65,855	\$ 11,799	\$ 2,380,271	\$ (11,485)	\$ 2,446,440

(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	\$ 346,508	\$ (61,371)	\$ 283,287	\$ 2,918	\$ 571,343	\$ 1,233	\$ 390,743	\$ 3,364,313
Changes during period								
Dividends of surplus								(88,313)
Profit attributable to owners of parent								134,844
Purchase of treasury shares								(8)
Disposal of treasury shares								914
Change in scope of equity method								(1,892)
Purchase of shares of consolidated subsidiaries								(99)
Net changes in items other than shareholders' equity	136,154	(33,427)	24,463	(578)	126,612	(413)	17,530	143,729
Total changes during period	136,154	(33,427)	24,463	(578)	126,612	(413)	17,530	189,175
Balance at end of period	\$ 482,662	\$ (94,798)	\$ 307,750	\$ 2,340	\$ 697,954	\$ 820	\$ 408,274	\$ 3,553,489

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)
		FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Cash flows from operating activities				
Profit before income taxes	¥	39,970	¥ 68,863	\$ 249,923
Depreciation of assets for lease		60,119	49,039	375,909
Loss on retirement of assets for lease and cost of property for lease sales		190,065	37,204	1,188,430
Depreciation of other operating assets		3,096	3,205	19,359
Depreciation		4,717	3,539	29,500
Amortization of goodwill		2,463	1,747	15,402
Gain on bargain purchase		(1,040)	—	(6,506)
Impairment losses		255	14	1,599
Increase (decrease) in allowance for doubtful accounts		332	(1,074)	2,080
Increase (decrease) in provision for bonuses and bonuses for directors (and other officers)		259	264	1,621
Increase (decrease) in provision for retirement benefits for directors (and other officers)		(37)	26	(236)
Increase (decrease) in provision for share awards for directors (and other officers)		114	171	714
Increase (decrease) in provision for maintenance costs		3,097	(96)	19,365
Increase (decrease) in provision for loss on guarantees		525	(32)	3,289
Increase (decrease) in retirement benefit liability		599	75	3,750
Loss (gain) on valuation of short-term and long-term investment securities		347	161	2,176
Interest and dividend income		(4,161)	(3,275)	(26,020)
Capital costs and interest expenses		42,020	33,160	262,741
Loss (gain) on investments in investment partnerships and silent partnerships		475	183	2,974
Share of loss (profit) of entities accounted for using equity method		1,737	(2,991)	10,866
Loss (gain) on sale of short-term and long-term investment securities		(1,186)	(33)	(7,417)
Loss (gain) on disposal of non-current assets		28	21	178
Decrease (increase) in installment receivables		(2,660)	(3,655)	(16,637)
Net decrease (increase) in lease receivables and investments in leases		(19,513)	16,626	(122,013)
Decrease (increase) in accounts receivable - lease		(4,940)	1,911	(30,889)
Decrease (increase) in operating loans		(116,631)	(37,181)	(729,264)
Decrease (increase) in accounts receivable - other loans to customers		(2,308)	(13,334)	(14,435)
Decrease (increase) in operational investment securities		(45,583)	(54,604)	(285,019)
Purchase of assets for lease		(282,729)	(156,964)	(1,767,835)
Purchase of other operating assets		(344)	(1,396)	(2,151)
Decrease (increase) in retirement benefit asset		(2,034)	(406)	(12,724)
Decrease (increase) in distressed receivables		(1,837)	(0)	(11,487)
Decrease (increase) in guarantee deposits		7,011	3,168	43,843

	Millions of yen		Thousands of U.S. dollars (Note I)
Notes	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Increase (decrease) in trade payables	9,690	(1,064)	60,595
Increase (decrease) in lease liabilities	(1,160)	(645)	(7,257)
Increase (decrease) in guarantee deposits received	(3,978)	(1,567)	(24,874)
Other, net	13,664	(34,697)	85,440
Subtotal	(109,553)	(93,636)	(685,008)
Interest and dividends received	4,944	5,314	30,918
Interest paid	(41,505)	(33,131)	(259,524)
Income taxes refund (paid)	(18,801)	(14,924)	(117,561)
Net cash provided by (used in) operating activities	(164,915)	(136,377)	(1,031,175)

		Millions of yen		Thousands of U.S. dollars (Note I)
	Notes	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Cash flows from investing activities				
Purchase of own-used assets		(3,427)	(3,428)	(21,428)
Proceeds from sale of own-used assets		–	17	–
Purchase of investment securities		(17,552)	(6,350)	(109,749)
Proceeds from sale and redemption of investment securities		12,859	3,621	80,406
Purchase of shares of subsidiaries resulting in change in scope of consolidation	2	(1,323)	(29,448)	(8,275)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	10,537	–	65,891
Other, net		75	(69)	475
Net cash provided by (used in) investing activities		1,170	(35,657)	7,319
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(10,823)	41,303	(67,674)
Net increase (decrease) in commercial papers		79,000	(63,000)	493,966
Proceeds from long-term borrowings		610,704	526,947	3,818,571
Repayments of long-term borrowings		(491,765)	(453,637)	(3,074,878)
Net increase (decrease) in payables under securitization of lease receivables		6,100	(9,500)	38,142
Proceeds from securitization of lease receivables		10,000	–	62,527
Repayments of payables under securitization of lease receivables		(4,316)	(2,905)	(26,987)
Proceeds from issuance of bonds		84,308	109,520	527,156
Redemption of bonds		(95,736)	(35,000)	(598,616)
Purchase of treasury shares		(1)	(499)	(8)
Proceeds from disposal of treasury shares		146	246	914
Dividends paid		(14,123)	(14,205)	(88,313)
Dividends paid to non-controlling interests		(1,408)	(884)	(8,807)
Other, net		(319)	(391)	(2,000)
Net cash provided by (used in) financing activities		171,763	97,994	1,073,993
Effect of exchange rate change on cash and cash equivalents		5,327	(67)	33,313
Net increase (decrease) in cash and cash equivalents		13,346	(74,108)	83,449
Cash and cash equivalents at beginning of period		66,565	140,674	416,217
Cash and cash equivalents at end of period	1	¥ 79,911	¥ 66,565	\$ 499,666

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 ¥159.93 to US\$1.00, in effect at March 31, 2026, 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: 81 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
FGL Aircraft USA Inc.

In the fiscal year ended March 31, 2026, CGM Co., Ltd. and five other companies were included in the scope of consolidation mainly due to the Company’s acquisition of their shares, and FG Green Ryudoka Co.,Ltd. and one other company were included in the scope of consolidation due to their new establishment by the Company.

(2) Non-consolidated subsidiaries

Reason for exclusion from the scope of consolidation

Among the non-consolidated subsidiaries, 159 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: 20 associates

Names of significant associates:

Yokogawa Rental & Lease Corporation

Marubeni Fuyo Auto Investment (CANADA) Inc.

In the fiscal year ended March 31, 2026, Southwest Rail Industries, LLC and six other companies were included in the scope of application of the equity method mainly due to the Company's acquisition of their equity interests.

Additionally, Miharabashi Investment TMK was removed from the scope of application of the equity method due to its liquidation.

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

Reason the equity method was not applied to the companies

Among the non-consolidated subsidiaries and associates, 162 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, 34 overseas consolidated subsidiaries including Fuyo General Lease (USA) Inc. have balance sheet dates of December 31, while 12 domestic consolidated subsidiaries including General Incorporated Association C・C・S Holding have balance sheet dates of January 31. Financial statements of the respective subsidiaries as of the respective closing dates, with necessary adjustments with regard to material 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 ¥6,130 million (U.S.\$38,334 thousand) in the fiscal year ended March 31, 2026 and ¥7,654 million in the fiscal year ended March 31, 2025.

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 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.

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

To pay retirement benefits to directors and other officers, the entire amount that would be required to be paid at the end of the fiscal year is recorded in accordance with internal regulations.

6) 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 records the estimated amount of share-based benefit obligation as of the end of the fiscal year.

7) Provision for maintenance costs

To cover future payments for maintenance costs for vehicles, aircrafts, etc. 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 13 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
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(b) Hedged items	Borrowings, foreign currency-denominated securities and forecast transactions in foreign currencies
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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 recorded 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, 2026, 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

FY2025: ¥1,030,726 million (U.S.\$6,444,858 thousand)

FY2024: ¥1,024,537 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 flows” 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.

Although the impact of rising prices will remain, a gradual recovery is expected to continue, backed by improvements in the employment and income environment. On the other hand, it is also important to bear in mind the effects of the situation in the Middle East, fluctuations in the financial capital markets, and other such factors, as the outlook is clouded by a sense of uncertainty. We recognize that there may be some impact on cash flows primarily derived from leased properties. 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 flows” 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 Leases and related implementation guidances

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

As part of efforts to make Japanese GAAP internationally consistent, the Accounting Standards Board of Japan (ASBJ) conducted studies based on international accounting standards to develop accounting standards for leases that require lessees to recognize assets and liabilities for all leases. The ASBJ published accounting standards for leases that, while fundamentally based on the single accounting model under IFRS 16, aim to be a simpler and more practical standard, and to basically require no adjustments even if the provisions of IFRS 16 are applied for non-consolidated financial statements, by adopting only major provisions of IFRS 16, instead of all the provisions.

As for the accounting treatment for lessees, lease expenses of lessees are allocated using the single accounting model in which, regardless of whether the lease is a finance lease or an operating lease, depreciation of right-of-use assets and the amount equivalent to interest on lease liabilities are recorded for all leases, as in IFRS 16.

(2) Scheduled date of adoption

Effective from the beginning of the fiscal year ending March 31, 2028.

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

The impact of adopting the Accounting Standard for Leases and related implementation guidances on the consolidated financial statements is currently being evaluated.

IV. Accounting Standard for Subsequent Events

- Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026)
- Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The “Accounting Standard for Subsequent Events” prioritizes the establishment of comprehensive accounting standards that address the definition, accounting treatment, and disclosure of subsequent events. The basic policy is, in principle, to follow the accounting content indicated in the Japanese Institute of Certified Public Accountants’ Auditing and Assurance Standards Committee’s Auditing Standards Report 560 Practical Guidance No. 1, “Treatment for Auditing for Subsequent Events,” and transfer it to the ASBJ. The standard stipulates the accounting treatment and disclosure for subsequent events by revising expressions and clarifying the evaluation period for subsequent events, in addition to newly requiring notes regarding the approval of the publication of financial statements.

(2) Scheduled date of adoption

Effective from the beginning of the fiscal year ending March 31, 2028.

V. Additional information

Board Benefit Trust (BBT) Plan

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

(1) Overview of the transaction

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

(2) Treasury shares remaining in trust

The shares of the Company remaining in trust are recorded as treasury shares under net assets based on the book value in trust (excluding the amount of incidental costs). The book value and the number of shares of treasury shares under the Plan are ¥1,310 million (U.S.\$8,192 thousand) and 481,200 shares as of March 31, 2026 and ¥1,390 million and 510,600 shares as of March 31, 2025, respectively.

The Company conducted a stock split at a ratio of three shares for one share of common stock on April 1, 2025. The number of shares is presented assuming that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2025.

- (3) Book value of borrowings recorded based on the gross method
Not applicable

VI. Notes for consolidated balance sheets

*1 Accumulated depreciation for property, plant and equipment

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026	
Assets for lease	¥ 291,818	¥ 248,025	\$ 1,824,662	
Other operating assets	21,197	18,283	132,542	
Own-used assets	9,753	30,265	60,986	

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026	
Investment securities (shares)	¥ 39,454	¥ 30,736	\$ 246,697	
(of which investment in joint ventures)	(38,586)	(28,257)	(241,271)	
Investment securities (other)	23,661	20,104	147,946	

*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, 2026	As of March 31, 2025	As of March 31, 2026	
Cash and deposits	¥ 2,940	¥ 3,082	\$ 18,388	
Installment receivables	57	172	361	
Lease receivables and investments in leases	8,463	9,466	52,919	
Accounts receivable - other loans to customers	1,465	1,681	9,165	
Accounts receivable - lease	95	101	599	
Operating lease and other contract receivables	8,695	9,306	54,372	
Other (current assets)	0	—	5	
Assets for lease (property, plant and equipment)	55,289	43,974	345,709	
Other operating assets (property, plant and equipment)	—	14,922	—	
Own-used assets	700	—	4,380	
Other intangible assets	42	—	265	
Total	¥ 77,752	¥ 82,708	\$ 486,164	

Note: Besides the above assets pledged as collateral, the Company provided investment securities (¥602 million (U.S.\$3,765 thousand) in the fiscal year ended March 31, 2026, ¥602 million in the fiscal year ended March 31, 2025) as third party security for bank loans taken out by business partners. The Company had no pledged investment securities in the fiscal year ended March 31, 2026 for the purpose of business transactions. Conversely, it had ¥3 million in the fiscal year ended March 31, 2025.

(2) Liabilities secured by collateral

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026	
Other (current liabilities)	¥ 9	¥ 8	\$ 58	
Long-term borrowings (current portion included)	38,893	52,039	243,190	
Total	¥ 38,902	¥ 52,048	\$ 243,248	

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, 2026	As of March 31, 2025	As of March 31, 2026	
Total loan commitments	¥ 9,552	¥ 27,860	\$ 59,730	
Balance of loans extended	—	10,214	—	
Difference	¥ 9,552	¥ 17,645	\$ 59,730	

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 70 transacting banks and other financial institutions, etc. (82 in the fiscal year ended March 31, 2025) for the efficient procurement of working capital. The unused balance, etc. at the end of the fiscal years ended March 31, 2026 and 2025 based on these agreements was as follows:

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026	
Total amount of overdraft limits and loan commitments	¥ 1,295,225	¥ 1,332,238	\$ 8,098,700	
Balance of borrowings drawn	574,756	574,269	3,593,802	
Difference	¥ 720,468	¥ 757,969	\$ 4,504,898	

6 Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026	
Mizuho Bank, Ltd. (Note)	¥ 15,917	¥ 40,937	\$ 99,526	
Southwest Rail Industries, LLC	14,380	—	89,919	
Sumitomo Mitsui Trust Bank, Limited (Note)	10,994	10,998	68,746	
IBM Japan, Ltd. (Note)	4,817	3,839	30,121	
JAPAN SECURITIZATION CORPORATION (Note)	4,302	3,891	26,900	
Sumitomo Mitsui Banking Corporation (Note)	4,117	4,119	25,748	
Mizuho Securities Co., Ltd.	3,666	—	22,929	
Godo Kaisha SKB 2	2,950	2,700	18,446	
Sumitomo Realty & Development Co., Ltd. (Note)	2,228	2,276	13,932	
Cutlass Solar Partners LLC	2,104	2,482	13,160	
Others (732 in the fiscal year ended March 31, 2026, 690 in the fiscal year ended March 31, 2025)	21,538	21,120	134,675	
Total	¥ 87,018	¥ 92,367	\$ 544,101	

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 ¥9,005 million (U.S.\$56,312 thousand) as of March 31, 2026 and ¥14,561 million as of March 31, 2025.

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026	
Current portion of long-term non-recourse borrowings	¥ 5,041	¥ 2,659	\$ 31,521	
Long-term non-recourse borrowings	36,952	27,278	231,054	
Total	¥ 41,993	¥ 29,938	\$ 262,575	

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

	Millions of yen		Thousands of U.S. dollars	
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026	
Accounts receivable - other loans to customers	¥ 22,566	¥ 25,085	\$ 141,103	
Assets for lease (property, plant and equipment)	48,063	23,716	300,530	
Total	¥ 70,630	¥ 48,802	\$ 441,633	

*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 ¥20,374 million (U.S.\$127,399 thousand) as of March 31, 2026 and ¥8,066 million as of March 31, 2025.

VII. Notes for consolidated statements of income

***1 Revenue from contracts with customers**

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

***2 Cost of sales, provision of allowance for doubtful accounts and bad debt expenses**

FY2025 (From April 1, 2025 to March 31, 2026)

The Company has recorded losses (operating losses and operational investment securities) due to the risk of uncollectible or delayed collection of receivables from our counterparties as below.

Such counterparties were established for the purpose of raising funds for the development of renewable energy projects led by our alliance partners in Europe. It was discovered that among the multiple renewable energy projects being developed and funded by counterparties through project-specific holding companies, some projects in Spain have been delayed due to insufficient development funds.

In response, we examined the recoverability of our receivables against the counterparties related to separate renewable energy projects involving our alliance partners leading these projects. As a result, we determined that uncertainty exists regarding the amount and timing of collection for a portion of these receivables, and there is a risk that these receivables may be uncollectible or subject to collection delays.

Accordingly, in the fiscal year ended March 31, 2026, of the total amount of ¥28,278 million (U.S.\$176,816 thousand) excluding the portion expected to be recovered through sale of the project to third parties, ¥1,176 million (U.S.\$7,358 thousand) of accrued interest related to those receivables that arose in the fiscal year ended March 31, 2026 was not recorded (net sales were reversed), and the remaining balance excluding such accrued interest was recorded as cost of sales of ¥24,766 million (U.S.\$154,859 thousand), provision of allowance for doubtful accounts (selling, general and administrative expenses) of ¥2,301 million (U.S.\$14,389 thousand), and bad debt expenses (selling, general and administrative expenses) of ¥33 million (U.S.\$209 thousand).

FY2024 (From April 1, 2024 to March 31, 2025)

There are no significant matters to be noted.

*3 Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Bad debt expenses	¥ 632	¥ 691	\$ 3,955
Provision for loss on guarantees	525	—	3,289
Employees' salaries, allowances and bonuses	23,697	20,621	148,177
Provision for bonuses	3,762	3,462	23,527
Provision for bonuses for directors (and other officers)	262	269	1,643
Retirement benefit expenses	(488)	780	(3,057)
Provision for retirement benefits for directors (and other officers)	72	47	451
Provision for share awards for directors (and other officers)	316	433	1,979
Welfare expenses	5,045	4,610	31,546
Rent expenses	3,306	2,922	20,674
Depreciation	4,717	3,539	29,500
Amortization of goodwill	2,463	1,747	15,402

*4 Compensation income for damage and system failure response costs

FY2025 (From April 1, 2025 to March 31, 2026)

This consists mainly of compensation income for damage related to the system failure resulting from the unauthorized access attack that occurred at the Company's domestic consolidated subsidiary, Accretive Co., Ltd., on August 25, 2025, as well as system recovery expenses and expenses for investigation by an external security company.

FY2024 (From April 1, 2024 to March 31, 2025)

Not applicable

*5 Impairment losses

The Group recorded impairment losses for the following asset groups:

FY2025 (From April 1, 2025 to March 31, 2026)

Location	Use	Type	Amount (Millions of yen)
Fukuoka-shi, Fukuoka	Business assets	Customer-related assets	¥ 244
Chiyoda-ku, Tokyo	Idle assets	Telephone subscription right	¥ 9

Location	Use	Type	Amount (Thousands of U.S. dollars)
Fukuoka-shi, Fukuoka	Business assets	Customer-related assets	\$ 1,526
Chiyoda-ku, Tokyo	Idle assets	Telephone subscription right	\$ 61

Information on impairment losses other than the above has been omitted because of immateriality.

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

For the customer-related assets of the domestic consolidated subsidiary, Human Centrix Co., Ltd., the carrying amount has been reduced to the recoverable amount calculated from the value in use based on revised future cash flows, taking into account changes in the environment, as the revenue anticipated at the time of the share acquisition in the fiscal year ended March 31, 2024 is no longer expected. In the fiscal year ended March 31, 2026, due to decreased profitability, the future cash flows were no longer anticipated, and as a result, the carrying amount was reduced to zero, and the reduction was recorded as impairment loss under extraordinary losses.

The above telephone subscription right is grouped individually.

Due to a decrease in dormitories and company housing, etc., for which integrated telecommunication services for residential buildings are provided, one domestic consolidated subsidiary, INVOICE INC., 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.

FY2024 (From April 1, 2024 to March 31, 2025)

There are no material impairment losses.

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

(1) Loss on sale of non-current assets

	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Buildings	¥ —	¥ 0	\$ —
Equipment	—	0	—
Software	—	7	—
Total	¥ —	¥ 8	\$ —

(2) Loss on retirement of non-current assets

	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Buildings	¥ 13	¥ 6	\$ 86
Equipment	0	1	5
Software	13	4	87
Total	¥ 28	¥ 12	\$ 178

VIII. Notes for consolidated statements of comprehensive income

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

	Millions of yen		Thousands of U.S. dollars	
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)	
Valuation difference on available-for-sale securities:				
Gains or losses arising during the year	¥ 9,521	¥ (8,382)	\$ 59,535	
Reclassification adjustments to profit or loss	22,796	(291)	142,542	
Amount before income taxes and income tax effect	32,318	(8,673)	202,076	
Income taxes and income tax effect	(10,528)	2,329	(65,831)	
Valuation difference on available-for-sale securities	¥ 21,790	¥ (6,343)	\$ 136,249	
Deferred gains or losses on hedges:				
Gains or losses arising during the year	(9,298)	1,786	(58,139)	
Reclassification adjustments to profit or loss	1,769	720	11,063	
Amount before income taxes and income tax effect	(7,528)	2,507	(47,076)	
Income taxes and income tax effect	2,225	(440)	13,914	
Deferred gains or losses on hedges	¥ (5,303)	¥ 2,066	\$ (33,162)	
Foreign currency translation adjustment:				
Gains or losses arising during the year	3,488	17,224	21,810	
Foreign currency translation adjustment	¥ 3,488	¥ 17,224	\$ 21,810	
Remeasurements of defined benefit plans, net of tax:				
Gains or losses arising during the year	525	24	3,286	
Reclassification adjustments to profit or loss	(123)	(124)	(774)	
Amount before income taxes and income tax effect	401	(100)	2,512	
Income taxes and income tax effect	(126)	27	(789)	
Remeasurements of defined benefit plans, net of tax	¥ 274	¥ (72)	\$ 1,718	
Share of other comprehensive income of entities accounted for using equity method:				
Gains or losses arising during the year	1,134	(529)	7,091	
Reclassification adjustments to profit or loss	0	11	4	
Share of other comprehensive income of entities accounted for using equity method	¥ 1,134	¥ (517)	\$ 7,095	
Total other comprehensive income	¥ 21,384	¥ 12,357	\$ 133,709	

IX. Notes for consolidated statements of changes in equity

FY2025 (From April 1, 2025 to March 31, 2026)

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	60,575,620	–	90,863,430
Total	30,287,810	60,575,620	–	90,863,430
Treasury shares				
Common shares (Note)	218,910	516,539	73,500	661,949
Total	218,910	516,539	73,500	661,949

- Notes:
- The 60,575,620 increase in the number of common shares in issued shares was due to the Company conducting a stock split at a ratio of three shares for one share of common stock on April 1, 2025.
 - The number of common shares in treasury shares at the end of the year includes 481,200 shares of the Company held by the Board Benefit Trust (BBT).
 - The 516,539 increase in the number of common shares in treasury shares was a 437,820 increase due to the Company conducting a stock split at a ratio of three shares for one share of common stock on April 1, 2025, a 78,412 increase of the portion of Company shares attributable to the Company associated with the increase of associates accounted for using the equity method, and a 307 increase due to the buyback of shares less than one share unit.
 - The decrease of 73,500 shares in the number of common shares in treasury shares was a 44,100 decrease due to the exercise of stock options and a 29,400 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	–	–	–	–	–	¥ 131	\$ 820

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 24, 2025 Annual General Meeting of Shareholders	Common shares	¥ 6,954	¥ 230	March 31, 2025	June 25, 2025
November 7, 2025 Board of Directors	Common shares	7,168	79	September 30, 2025	December 9, 2025

- Notes:
- Total amount of cash dividends resolved at Annual General Meeting of Shareholders held on June 24, 2025, includes cash dividends of ¥39 million for the Company's shares held by Board Benefit Trust (BBT).
 - Although the Company conducted a stock split at a ratio of three shares for each share of common stock effective April 1, 2025, the matters resolved at the Annual General Meeting of Shareholders held on June 24, 2025 are based on the number of shares before the stock split.
 - Total amount of cash dividends resolved at Board of Directors held on November 7, 2025, includes cash dividends of ¥38 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

The following proposals are scheduled to be submitted at the Annual General Meeting of Shareholders to be held on June 23, 2026.

(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, 2026 Annual General Meeting of Shareholders	Common shares	¥ 7,170	Retained earnings	¥ 79	March 31, 2026	June 24, 2026

(Resolution)	Type of shares	Total amount of cash dividends (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 23, 2026 Annual General Meeting of Shareholders	Common shares	\$ 44,833	Retained earnings	\$ 0.49	March 31, 2026	June 24, 2026

Note: Total amount of cash dividends includes cash dividends of ¥38 million (U.S.\$238 thousand) for the Company's shares held by Board Benefit Trust (BBT).

FY2024 (From April 1, 2024 to March 31, 2025)

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)	221,937	44,373	47,400	218,910
Total	221,937	44,373	47,400	218,910

- Notes: 1. The number of common shares in treasury shares at the end of the year includes 170,200 shares of the Company held by the Board Benefit Trust (BBT).
2. The 44,373 increase in the number of common shares in treasury shares is due to an increase of 44,300 shares through the acquisition of treasury shares by the Board Benefit Trust (BBT) and an increase of 73 shares through the acquisition of fractional unit shares.
3. The 47,400 decrease in the number of common shares in treasury shares was a 25,600 decrease due to the exercise of stock options and a 21,800 decrease due to provision to the Board Benefit Trust (BBT).
4. Although the Company conducted a stock split at a ratio of three shares for one share of common stock on April 1, 2025, the number of shares stated above is the number of shares before the stock split.

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	—	—	—	—	—	¥ 197

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 21, 2024 Annual General Meeting of Shareholders	Common shares	¥ 7,402	¥ 245	March 31, 2024	June 24, 2024
November 8, 2024 Board of Directors	Common shares	6,802	225	September 30, 2024	December 9, 2024

- Notes: 1. Total amount of cash dividends resolved at Annual General Meeting of Shareholders held on June 21, 2024, includes cash dividends of ¥36 million for the Company's shares held by Board Benefit Trust (BBT).
2. Total amount of cash dividends resolved at Board of Directors held on November 8, 2024, includes 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 24, 2025 Annual General Meeting of Shareholders	Common shares	¥ 6,954	Retained earnings	¥ 230	March 31, 2025	June 25, 2025

- Notes: 1. Total amount of cash dividends includes cash dividends of ¥39 million for the Company's shares held by Board Benefit Trust (BBT).
2. Although the Company conducted a stock split at a ratio of three shares for one share of common stock on April 1, 2025, the above is based on the number of shares before the stock split.

X. Notes for consolidated statements of cash flows

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

	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Cash and deposits	¥ 79,950	¥ 66,598	\$ 499,907
Time deposits with maturity of over three months	(38)	(33)	(240)
Cash and cash equivalents	¥ 79,911	¥ 66,565	\$ 499,666

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

FY2025 (From April 1, 2025 to March 31, 2026)

The amounts of assets and liabilities of newly consolidated subsidiaries due to the acquisition of shares in the fiscal year ended March 31, 2026, have been omitted due to immateriality.

FY2024 (From April 1, 2024 to March 31, 2025)

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

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

	Millions of yen
Current assets	¥ 7,616
Non-current assets	12,230
Goodwill	15,704
Current liabilities	(1,774)
Non-current liabilities	(200)
Non-controlling interests	(16,320)
Valuation difference	13,960
Acquisition cost of shares	31,217
Cash and cash equivalents	(3,660)
Difference: net consideration paid for acquisition	¥ 27,557

The following includes the breakdown of assets and liabilities at the time of additional acquisition of shares and consolidation of CB Holdings Inc. and its four subsidiaries, and the relation between the acquisition cost of shares and net consideration paid for the acquisition (net price).

	Millions of yen
Current assets	¥ 1,031
Non-current assets	702
Goodwill	1,959
Current liabilities	(871)
Non-current liabilities	(33)
Acquisition cost of shares	2,789
Acquisition cost up until the time control was obtained	(195)
Cash and cash equivalents	(702)
Difference: net consideration paid for acquisition	¥ 1,891

XI. 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, 2026	As of March 31, 2025	As of March 31, 2026
Within one year	¥ 1	¥ 58	\$ 12
Over one year	5	1	37
Total	¥ 7	¥ 59	\$ 49

As lessor

1. Finance leases

(1) Breakdown of investments in leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026
Lease receivables	¥ 772,205	¥ 728,939	\$ 4,828,397
Estimated residual value	31,755	24,184	198,560
Future interest income	(93,928)	(88,231)	(587,309)
Investments in leases	¥ 710,033	¥ 664,892	\$ 4,439,649

(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, 2026					
	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	¥ 53,776	¥ 36,996	¥ 32,198	¥ 16,768	¥ 10,196	¥ 42,273
Investments in leases	223,159	165,660	133,848	84,987	56,000	108,555

(Thousands of U.S. dollars)

	As of March 31, 2026					
	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	\$ 336,249	\$ 231,328	\$ 201,328	\$ 104,849	\$ 63,754	\$ 264,326
Investments in leases	1,395,358	1,035,834	836,919	531,403	350,159	678,766

(Millions of yen)

	As of March 31, 2025					
	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	¥ 49,082	¥ 49,178	¥ 32,857	¥ 26,733	¥ 13,392	¥ 46,052
Investments in leases	215,751	168,273	114,506	84,932	43,242	102,232

2. Operating leases

Future lease payments required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026
Within one year	¥ 94,546	¥ 87,205	\$ 591,175
Over one year	446,278	439,480	2,790,460
Total	¥ 540,824	¥ 526,685	\$ 3,381,635

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, 2026	As of March 31, 2025	As of March 31, 2026
Lease receivables and investments in leases	¥ 1,857	¥ 2,181	\$ 11,614
Lease liabilities	3,188	3,944	19,934

XII. Financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

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

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 ¥5,616 million (U.S.\$35,116 thousand) for the fiscal year ended March 31, 2026 and a change of ¥3,945 million for the fiscal year ended March 31, 2025 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, 2026

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	¥ 56,091	¥ 53,378	¥ (2,713)
(2) Lease receivables and investments in leases*2	869,830	859,601	(10,228)
(3) Operating loans*2	498,586	490,781	(7,804)
(4) Operational investment securities and investment securities*3			
Other securities	437,894	437,894	—
Total assets	¥ 1,862,402	¥ 1,841,655	¥ (20,747)
(1) Lease liabilities (current liabilities and non-current liabilities)	¥ 4,119	¥ 4,119	¥ —
(2) Bonds payable (current portion included)	495,923	490,083	(5,839)
(3) Long-term borrowings (current portion included)	1,599,630	1,590,491	(9,138)
(4) Long-term payables under securitization of lease receivables (current portion included)	11,033	10,952	(81)
Total liabilities	¥ 2,110,705	¥ 2,095,646	¥ (15,058)
Derivatives*4			
(i) Hedge accounting not applied	¥ (98)	¥ (98)	¥ —
(ii) Hedge accounting applied	2,121	2,121	—
Total derivatives	¥ 2,022	¥ 2,022	¥ —

	Thousands of U.S. dollars		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	\$ 350,727	\$ 333,762	\$ (16,965)
(2) Lease receivables and investments in leases*2	5,438,821	5,374,862	(63,959)
(3) Operating loans*2	3,117,528	3,068,725	(48,802)
(4) Operational investment securities and investment securities*3			
Other securities	2,738,037	2,738,037	—
Total assets	\$ 11,645,112	\$ 11,515,386	\$ (129,726)
(1) Lease liabilities (current liabilities and non-current liabilities)	\$ 25,757	\$ 25,757	\$ —
(2) Bonds payable (current portion included)	3,100,875	3,064,365	(36,510)
(3) Long-term borrowings (current portion included)	10,002,063	9,944,924	(57,140)
(4) Long-term payables under securitization of lease receivables (current portion included)	68,990	68,480	(510)
Total liabilities	\$ 13,197,685	\$ 13,103,526	\$ (94,159)
Derivatives*4			
(i) Hedge accounting not applied	\$ (619)	\$ (619)	\$ —
(ii) Hedge accounting applied	13,265	13,265	—
Total derivatives	\$ 12,646	\$ 12,646	\$ —

*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, 2025

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	¥ 53,395	¥ 53,245	¥ (150)
(2) Lease receivables and investments in leases*2	850,061	867,824	17,762
(3) Operating loans*2	382,273	375,915	(6,358)
(4) Operational investment securities and investment securities*3			
Other securities	405,922	405,922	–
Total assets	¥ 1,691,653	¥ 1,702,908	¥ 11,254
(1) Lease liabilities (current liabilities and non-current liabilities)	¥ 4,588	¥ 4,588	¥ –
(2) Bonds payable (current portion included)	501,966	501,579	(387)
(3) Long-term borrowings (current portion included)	1,476,112	1,472,420	(3,692)
(4) Long-term payables under securitization of lease receivables (current portion included)	5,349	5,269	(79)
Total liabilities	¥ 1,988,016	¥ 1,983,856	¥ (4,159)
Derivatives*4			
(i) Hedge accounting not applied	¥ 15	¥ 15	¥ –
(ii) Hedge accounting applied	1,005	1,005	–
Total derivatives	¥ 1,021	¥ 1,021	¥ –

*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, 2026	As of March 31, 2025	As of March 31, 2026
Unlisted shares*1	¥ 10,374	¥ 10,717	\$ 64,867
Subsidiary’s shares / associates’ shares*1	63,115	50,840	394,643
Investments in limited partnerships, etc.*2	272,392	236,310	1,703,200
Total	¥ 345,882	¥ 297,869	\$ 2,162,711

*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, 2026

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	¥ —	¥ 188,613	¥ 16,274	¥ 204,888
Preferred securities / beneficial interest in trusts, etc.	11,488	2,979	1,666	16,134
Investment securities				
Shares	119,129	210	—	119,339
Investment trusts	528	—	—	528
Derivatives				
Interest rate-related	—	1,892	—	1,892
Foreign currency-related	—	318	—	318
Total assets	¥ 131,146	¥ 194,013	¥ 17,941	¥ 343,101
Derivatives	¥ —	¥ —	¥ —	¥ —
Interest rate-related	—	79	—	79
Foreign currency-related	—	99	—	99
Credit risk-related	—	9	—	9
Total liabilities	¥ —	¥ 188	¥ —	¥ 188

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	\$ –	\$ 1,179,352	\$ 101,761	\$ 1,281,112
Preferred securities / beneficial interest in trusts, etc.	71,834	18,629	10,420	100,883
Investment securities				
Shares	744,887	1,313	–	746,200
Investment trusts	3,303	–	–	3,303
Derivatives				
Interest rate-related	–	11,831	–	11,831
Foreign currency-related	–	1,993	–	1,993
Total assets	\$ 820,024	\$ 1,213,117	\$ 112,181	\$ 2,145,323
Derivatives	\$ –	\$ –	\$ –	\$ –
Interest rate-related	–	494	–	494
Foreign currency-related	–	625	–	625
Credit risk-related	–	59	–	59
Total liabilities	\$ –	\$ 1,178	\$ –	\$ 1,178

(*) 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 ¥30,042 million (U.S.\$187,847 thousand), and the book value of investment trusts that have applied the treatment in paragraph 24-9 is ¥66,961 million (U.S.\$418,692 thousand).

As of March 31, 2025

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	¥ –	¥ 167,917	¥ 44,034	¥ 211,952
Preferred securities / beneficial interest in trusts, etc.	647	3,456	2,366	6,471
Investment securities				
Shares	94,911	210	–	95,121
Investment trusts	524	–	–	524
Derivatives				
Interest rate-related	–	642	–	642
Foreign currency-related	–	435	–	435
Total assets	¥ 96,083	¥ 172,661	¥ 46,401	¥ 315,146
Derivatives	¥ –	¥ –	¥ –	¥ –
Interest rate-related	–	36	–	36
Credit risk-related	–	20	–	20
Total liabilities	¥ –	¥ 56	¥ –	¥ 56

(*) 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 ¥29,330 million, and the book value of investment trusts that have applied the treatment in paragraph 24-9 is ¥62,523 million.

(2) Financial assets and financial liabilities not recorded on the consolidated balance sheet at fair value
As of March 31, 2026

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	¥ —	¥ —	¥ 53,378	¥ 53,378
Lease receivables and investments in leases	—	—	859,601	859,601
Operating loans	—	—	490,781	490,781
Total assets	¥ —	¥ —	¥ 1,403,761	¥ 1,403,761
Lease liabilities	¥ —	¥ 4,119	¥ —	¥ 4,119
Bonds payable	—	490,083	—	490,083
Long-term borrowings	—	1,590,491	—	1,590,491
Long-term payables under securitization of lease receivables	—	10,952	—	10,952
Total liabilities	¥ —	¥ 2,095,646	¥ —	¥ 2,095,646

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	\$ —	\$ —	\$ 333,762	\$ 333,762
Lease receivables and investments in leases	—	—	5,374,862	5,374,862
Operating loans	—	—	3,068,725	3,068,725
Total assets	\$ —	\$ —	\$ 8,777,349	\$ 8,777,349
Lease liabilities	\$ —	\$ 25,757	\$ —	\$ 25,757
Bonds payable	—	3,064,365	—	3,064,365
Long-term borrowings	—	9,944,924	—	9,944,924
Long-term payables under securitization of lease receivables	—	68,480	—	68,480
Total liabilities	\$ —	\$ 13,103,526	\$ —	\$ 13,103,526

As of March 31, 2025

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	¥ —	¥ —	¥ 53,245	¥ 53,245
Lease receivables and investments in leases	—	—	867,824	867,824
Operating loans	—	—	375,915	375,915
Total assets	¥ —	¥ —	¥ 1,296,985	¥ 1,296,985
Lease liabilities	¥ —	¥ 4,588	¥ —	¥ 4,588
Bonds payable	—	501,579	—	501,579
Long-term borrowings	—	1,472,420	—	1,472,420
Long-term payables under securitization of lease receivables	—	5,269	—	5,269
Total liabilities	¥ —	¥ 1,983,856	¥ —	¥ 1,983,856

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 payments. 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 approximates 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, 2026

Category	Evaluation technique	Significant unobservable inputs	Scope of inputs
Operational investment securities			
Bonds payable	Discounted present value method	Discount rate	3.25%
Preferred securities, etc.	Discounted present value method	Discount rate	15.82%-31.21%

As of March 31, 2025

Category	Evaluation technique	Significant unobservable inputs	Scope of inputs
Operational investment securities			
Bonds payable	Discounted present value method	Discount rate	2.76%
Preferred securities, etc.	Discounted present value method	Discount rate	6.50%-18.47%

(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, 2026

	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 (*3)	Transfers from Level 3 fair value (*4)	End of year	Unrealized gains and losses on financial assets and financial liabilities held as of the consolidated balance sheet date included in profit and loss for the period
		Recorded in profit and loss (*1)	Recorded in other comprehensive income (*2)					
Operational investment securities								
Bonds payable	¥ 44,034	¥ (23,379)	¥ 3,120	¥ (7,500)	¥ –	¥ –	¥ 16,274	¥ –
Preferred securities, etc.	2,366	–	(141)	(559)	–	–	1,666	–
Total	¥ 46,401	¥ (23,379)	¥ 2,978	¥ (8,059)	¥ –	¥ –	¥ 17,941	¥ –

	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 (*3)	Transfers from Level 3 fair value (*4)	End of year	Unrealized gains and losses on financial assets and financial liabilities held as of the consolidated balance sheet date included in profit and loss for the period
		Recorded in profit and loss (*1)	Recorded in other comprehensive income (*2)					
Operational investment securities								
Bonds payable	\$ 275,334	\$(146,186)	\$ 19,509	\$ (46,896)	\$ –	\$ –	\$ 101,761	\$ –
Preferred securities, etc.	14,800	–	(884)	(3,496)	–	–	10,420	–
Total	\$ 290,134	\$(146,186)	\$ 18,624	\$ (50,391)	\$ –	\$ –	\$ 112,181	\$ –

*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.

*3. 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.

*4. 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, 2025

	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 as of the consolidated balance sheet date included in profit and loss for the period
		Recorded in profit and loss	Recorded in other comprehensive income (*1)					
Operational investment securities								
Bonds payable	¥ 30,416	¥ –	¥ (742)	¥ 14,359	¥ –	¥ –	¥ 44,034	¥ –
Preferred securities, etc.	4,365	–	(431)	(1,567)	–	–	2,366	–
Total	¥ 34,782	¥ –	¥ (1,173)	¥ 12,792	¥ –	¥ –	¥ 46,401	¥ –

- *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, 2026

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 as of the consolidated balance sheet date included in profit and loss for the period
		Recorded in profit and loss	Recorded in other comprehensive income (*)					
Investment trusts whose investment trust property is financial instruments (paragraph 24-3)	¥ 29,330	¥ –	¥ 711	¥ –	¥ –	¥ –	¥ 30,042	¥ –
Investment trusts whose investment trust property is real estate (paragraph 24-9)	62,523	–	1,363	3,075	–	–	66,961	–
Total	¥ 91,853	¥ –	¥ 2,074	¥ 3,075	¥ –	¥ –	¥ 97,003	¥ –

Category	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 as of the consolidated balance sheet date included in profit and loss for the period
		Recorded in profit and loss	Recorded in other comprehensive income (*)					
Investment trusts whose investment trust property is financial instruments (paragraph 24-3)	\$ 183,397	\$ –	\$ 4,450	\$ –	\$ –	\$ –	\$ 187,847	\$ –
Investment trusts whose investment trust property is real estate (paragraph 24-9)	390,940	–	8,524	19,228	–	–	418,692	–
Total	\$ 574,337	\$ –	\$ 12,974	\$ 19,228	\$ –	\$ –	\$ 606,538	\$ –

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

As of March 31, 2025

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 as of the consolidated balance sheet date included in profit and loss for the period
		Recorded in profit and loss	Recorded in other comprehensive income (*)					
Investment trusts whose investment trust property is financial instruments (paragraph 24-3)	¥ 29,183	¥ –	¥ (353)	¥ 500	¥ –	¥ –	¥ 29,330	¥ –
Investment trusts whose investment trust property is real estate (paragraph 24-9)	47,305	–	1,940	13,276	–	–	62,523	–
Total	¥ 76,489	¥ –	¥ 1,587	¥ 13,776	¥ –	¥ –	¥ 91,853	¥ –

* 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, 2026

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.	¥ 30,042	\$ 187,847

As of March 31, 2025

Content of restrictions on cancellation	Book value (Millions of yen)
The record date for cancellation is limited, and the interval is long.	¥ 29,330

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

As of March 31, 2026

	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	¥ 79,950	¥ –	¥ –	¥ –
Installment receivables	17,666	32,476	5,666	2,095
Lease receivables and investments in leases	254,290	492,220	79,732	45,189
Operating loans	159,022	200,880	136,160	2,918
Operational investment securities and investment securities				
Other securities with maturities				
(1) Bonds (government bonds)	–	–	–	–
(2) Bonds (corporate bonds)	2,786	58,674	43,218	–
(3) Bonds (other)	–	–	–	–
(4) Other	28,822	163,119	38,828	39,821
Total	¥ 542,539	¥ 947,370	¥ 303,606	¥ 90,023

	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	\$ 499,907	\$ –	\$ –	\$ –
Installment receivables	110,463	203,065	35,433	13,100
Lease receivables and investments in leases	1,590,011	3,077,723	498,545	282,555
Operating loans	994,328	1,256,050	851,378	18,248
Operational investment securities and investment securities				
Other securities with maturities				
(1) Bonds (government bonds)	–	–	–	–
(2) Bonds (corporate bonds)	17,422	366,878	270,231	–
(3) Bonds (other)	–	–	–	–
(4) Other	180,222	1,019,944	242,782	248,990
Total	\$ 3,392,353	\$ 5,923,660	\$ 1,898,370	\$ 562,894

As of March 31, 2025

	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	¥ 66,598	¥ –	¥ –	¥ –
Installment receivables	17,323	28,427	7,438	1,712
Lease receivables and investments in leases	241,372	487,987	77,903	44,215
Operating loans	157,020	187,901	34,527	3,078
Operational investment securities and investment securities				
Other securities with maturities				
(1) Bonds (government bonds)	–	–	–	–
(2) Bonds (corporate bonds)	14,394	50,018	67,011	–
(3) Bonds (other)	–	–	–	–
(4) Other	14,750	154,399	34,579	37,427
Total	¥ 511,459	¥ 908,734	¥ 221,460	¥ 86,433

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, 2026

	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	¥ 598,425	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	292,000	–	–	–	–	–
Payables under securitization of lease receivables	9,600	–	–	–	–	–
Lease liabilities	1,842	579	480	347	281	588
Bonds payable	81,600	123,995	106,746	102,390	57,993	23,198
Long-term borrowings	528,503	439,164	317,333	198,466	83,547	32,614
Long-term payables under securitization of lease receivables	3,673	3,295	2,688	1,303	73	–
Total	¥ 1,515,644	¥ 567,034	¥ 427,247	¥ 302,507	¥ 141,895	¥ 56,401

	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	\$ 3,741,796	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial papers	1,825,799	–	–	–	–	–
Payables under securitization of lease receivables	60,026	–	–	–	–	–
Lease liabilities	11,519	3,621	3,004	2,174	1,761	3,677
Bonds payable	510,223	775,309	667,455	640,219	362,615	145,055
Long-term borrowings	3,304,594	2,745,981	1,984,199	1,240,958	522,401	203,929
Long-term payables under securitization of lease receivables	22,968	20,605	16,808	8,148	461	–
Total	\$ 9,476,925	\$ 3,545,516	\$ 2,671,467	\$ 1,891,499	\$ 887,238	\$ 352,661

As of March 31, 2025

	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	¥ 608,320	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	213,000	–	–	–	–	–
Payables under securitization of lease receivables	3,500	–	–	–	–	–
Lease liabilities	1,561	921	520	434	301	848
Bonds payable	94,496	81,600	102,267	89,678	100,934	32,990
Long-term borrowings	441,624	395,917	293,299	171,266	132,583	41,420
Long-term payables under securitization of lease receivables	3,555	464	382	303	26	618
Total	¥ 1,366,058	¥ 478,903	¥ 396,469	¥ 261,682	¥ 233,845	¥ 75,878

XIII. Securities

1. Other securities

As of March 31, 2026

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 118,244	¥ 18,225	¥ 100,019
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	15,078	13,703	1,374
	3) Other	—	—	—
	(3) Other	99,514	91,077	8,436
	Subtotal	232,837	123,006	109,830
Securities whose book value does not exceed their acquisition cost	(1) Shares	11,874	12,503	(629)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	189,810	199,547	(9,737)
	3) Other	—	—	—
	(3) Other	3,372	3,431	(58)
	Subtotal	205,057	215,482	(10,425)
Total		¥ 437,894	¥ 338,488	¥ 99,405

	Type	Thousands of U.S. dollars		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	\$ 739,354	\$ 113,958	\$ 625,396
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	94,280	85,686	8,593
	3) Other	—	—	—
	(3) Other	622,236	569,482	52,753
	Subtotal	1,455,869	769,126	686,743
Securities whose book value does not exceed their acquisition cost	(1) Shares	74,247	78,181	(3,934)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	1,186,833	1,247,721	(60,888)
	3) Other	—	—	—
	(3) Other	21,088	21,454	(366)
	Subtotal	1,282,168	1,347,356	(65,187)
Total		\$ 2,738,037	\$ 2,116,482	\$ 621,555

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

As of March 31, 2025

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 91,629	¥ 17,418	¥ 74,210
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	29,067	28,480	587
	3) Other	—	—	—
	(3) Other	65,499	58,926	6,572
	Subtotal	186,196	104,825	81,371
Securities whose book value does not exceed their acquisition cost	(1) Shares	3,491	3,877	(385)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	182,884	188,335	(5,451)
	3) Other	—	—	—
	(3) Other	33,350	33,566	(216)
	Subtotal	219,725	225,779	(6,053)
Total		¥ 405,922	¥ 330,604	¥ 75,318

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

2. Other securities sold

FY2025 (From April 1, 2025 to March 31, 2026)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 2,063	¥ 1,419	¥ 238
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	5,000	—	—
3) Other	—	—	—
(3) Other	5,996	116	70
Total	¥ 13,060	¥ 1,535	¥ 309

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain	Total loss
(1) Shares	\$ 12,903	\$ 8,873	\$ 1,492
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	31,264	—	—
3) Other	—	—	—
(3) Other	37,497	730	441
Total	\$ 81,664	\$ 9,603	\$ 1,934

FY2024 (From April 1, 2024 to March 31, 2025)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 592	¥ 34	¥ –
(2) Bonds			
1) Government bonds and local government bonds, etc.	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	3,205	373	48
Total	¥ 3,797	¥ 407	¥ 48

3. Impairment losses on securities

During the fiscal year ended March 31, 2026, impairment loss recorded on securities amounted to ¥24,114 million (U.S.\$150,783 thousand) (shares, etc. classified as other securities: ¥24,114 million (U.S.\$150,783 thousand)) and during the fiscal year ended March 31, 2025, impairment loss recorded on securities amounted to ¥161 million (shares, etc. classified as other securities: ¥161 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, 2026 and 2025.

XIV. Derivatives

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency-related

As of March 31, 2026

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	¥ 1,503	¥ —	¥ (89)	¥ (89)
Total		¥ 1,503	¥ —	¥ (89)	¥ (89)

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	\$ 9,398	\$ —	\$ (560)	\$ (560)
Total		\$ 9,398	\$ —	\$ (560)	\$ (560)

As of March 31, 2025

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	¥ 3,167	¥ 1,503	¥ 35	¥ 35
Total		¥ 3,167	¥ 1,503	¥ 35	¥ 35

(2) Interest rate-related

As of March 31, 2026

Not applicable

As of March 31, 2025

Not applicable

(3) Credit risk-related

As of March 31, 2026

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	¥ 1,503	¥ —	¥ (9)	¥ (9)
Total		¥ 1,503	¥ —	¥ (9)	¥ (9)

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	\$ 9,398	\$ –	\$ (59)	\$ (59)
Total		\$ 9,398	\$ –	\$ (59)	\$ (59)

As of March 31, 2025

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	¥ 3,167	¥ 1,503	¥ (20)	¥ (20)
Total		¥ 3,167	¥ 1,503	¥ (20)	¥ (20)

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related

As of March 31, 2026

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	¥ 18,456	¥ –	¥ (16)
	Receive yen, pay euros	Foreign currency-denominated securities	8,590	–	45
	Receive yen, pay British pounds	Foreign currency-denominated securities	29,259	–	267
	Receive yen, pay Thai baht	Foreign currency-denominated securities	2,180	–	12
Total			¥ 58,486	¥ –	¥ 308

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	\$ 115,403	\$ –	\$ (106)
	Receive yen, pay euros	Foreign currency-denominated securities	53,714	–	282
	Receive yen, pay British pounds	Foreign currency-denominated securities	182,949	–	1,675
	Receive yen, pay Thai baht	Foreign currency-denominated securities	13,634	–	77
Total			\$ 365,701	\$ –	\$ 1,928

As of March 31, 2025

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	¥ 18,301	¥ –	¥ 148
	Receive yen, pay euros	Foreign currency-denominated securities	34,959	–	139
	Receive yen, pay British pounds	Foreign currency-denominated securities	18,335	–	81
	Receive yen, pay Thai baht	Foreign currency-denominated securities	1,806	–	30
Total			¥ 73,403	¥ –	¥ 399

(2) Interest rate-related

As of March 31, 2026

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	¥ 52,611	¥ 33,181	¥ 1,813
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	10,996	10,996	(Note)
Total			¥ 63,608	¥ 44,178	¥ 1,813

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	\$ 328,969	\$ 207,476	\$ 11,336
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	68,758	68,758	(Note)
Total			\$ 397,727	\$ 276,234	\$ 11,336

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, 2025

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	¥ 27,423	¥ 26,084	¥ 606
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	10,476	10,476	(Note)
Total			¥ 37,900	¥ 36,561	¥ 606

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.

XV. Retirement benefits

1. Overview of the Group's retirement benefits plan

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

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

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

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

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

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

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	
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)	
Retirement benefit obligations at beginning of year	¥ 11,804	¥ 12,080	\$ 73,808	
Service cost	490	494	3,068	
Interest cost	211	145	1,325	
Actuarial gains or losses	(1,169)	(235)	(7,313)	
Retirement benefits paid	(793)	(680)	(4,962)	
Retirement benefit obligations at end of year	¥ 10,543	¥ 11,804	\$ 65,927	

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
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Plan assets at beginning of year	¥ 13,467	¥ 13,517	\$ 84,207
Expected return on plan assets	205	237	1,285
Actuarial gains or losses	808	(267)	5,054
Contribution from employer	477	493	2,984
Retirement benefits paid	(710)	(513)	(4,444)
Plan assets at end of year	¥ 14,247	¥ 13,467	\$ 89,087

(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, 2026	As of March 31, 2025	As of March 31, 2026
Retirement benefit obligations for funded pension plans	¥ 10,543	¥ 11,804	\$ 65,927
Plan assets	(14,247)	(13,467)	(89,087)
Net assets or liabilities recorded in the consolidated balance sheets	(3,704)	(1,663)	(23,160)
Retirement benefit liability	913	919	5,712
Retirement benefit asset	(4,617)	(2,582)	(28,872)
Net assets or liabilities recorded in the consolidated balance sheets	¥ (3,704)	¥ (1,663)	\$ (23,160)

(4) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Service cost	¥ 490	¥ 494	\$ 3,068
Interest cost	211	145	1,325
Expected return on plan assets	(205)	(237)	(1,285)
Amortization of actuarial loss	(1,579)	(143)	(9,878)
Other	(64)	(62)	(402)
Retirement benefit expenses for defined-benefit pension plan	¥ (1,147)	¥ 196	\$ (7,172)

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
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Actuarial gains or losses	¥ 401	¥ (100)	\$ 2,512

(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, 2026	As of March 31, 2025	As of March 31, 2026
Unrecognized actuarial gains or losses	¥ (859)	¥ (462)	\$ (5,371)

(7) Plan assets

1) Breakdown of plan assets

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

	As of March 31, 2026	As of March 31, 2025
	%	%
Bonds	38	39
Shares	15	17
Cash and deposits	3	4
General account	30	27
Other	14	13
Total	100	100

Note: The total includes retirement benefits trust established for corporate pension plan at 6% in the fiscal year ended March 31, 2026 and 5% in the fiscal year ended March 31, 2025.

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, 2026	As of March 31, 2025
	%	%
Discount rate	1.40 - 3.05	0.10 - 2.12
Expected long-term rate of return	1.10 - 2.50	1.00 - 2.50
Expected increase in salary	1.41 - 3.69	1.41 - 3.69

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
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Retirement benefit liability at beginning of year	¥ 1,757	¥ 1,531	\$ 10,991
Retirement benefit expenses	261	207	1,637
Retirement benefits paid	(104)	(175)	(654)
Increase by the new consolidated subsidiary	118	194	740
Other	(33)	—	(211)
Retirement benefit liability at end of year	¥ 1,999	¥ 1,757	\$ 12,503

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, 2026	As of March 31, 2025	As of March 31, 2026
Retirement benefit obligations for funded pension plans	¥ 775	¥ 696	\$ 4,851
Plan assets	(182)	(178)	(1,141)
	593	517	3,710
Retirement benefit obligations for unfunded pension plans	1,406	1,239	8,794
Net assets or liabilities recorded in the consolidated balance sheets	1,999	1,757	12,503
Retirement benefit liability	1,999	1,757	12,503
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,999	¥ 1,757	\$ 12,503

(3) Retirement benefit expenses

Retirement benefit expenses calculated by simplified accounting method

FY2025 (April 1, 2025 - March 31, 2026): ¥261 million (U.S.\$1,637 thousand)

FY2024 (April 1, 2024 - March 31, 2025): ¥207 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, 2026 and 2025 the amount required to be contributed by the Company and consolidated subsidiaries to the defined-contribution pension plan amounted to ¥219 million (U.S.\$1,375 thousand) and ¥218 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, 2026 and 2025 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 ¥292 million (U.S.\$1,829 thousand) and ¥274 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, 2026	As of March 31, 2025	As of March 31, 2026
	As of March 31, 2025	As of March 31, 2024	As of March 31, 2025
Amount of plan assets	¥ 22,579	¥ 21,191	\$ 141,185
Actuarial liability under pension funding programs	20,300	19,738	126,937
Difference	¥ 2,278	¥ 1,453	\$ 14,249

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

FY2025: 14.615% (From April 1, 2025 to March 31, 2026)

FY2024: 14.815% (From April 1, 2024 to March 31, 2025)

(3) Supplementary explanation

The main reasons for the difference in (1) above are the balance of prior service obligations under pension funding programs (¥4,711 million (U.S.\$29,461 thousand) in the fiscal year ended March 31, 2026, ¥5,289 million in the fiscal year ended March 31, 2025) and general reserve (¥6,990 million (U.S.\$43,710 thousand) in the fiscal year ended March 31, 2026, ¥6,742 million in the fiscal year ended March 31, 2025).

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

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

XVI. Stock options, etc.

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

Not applicable

2. Gains on expiration of unexercised stock options

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 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: 219,000 shares	Common shares: 126,000 shares	Common shares: 106,500 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: 85,800 shares	Common shares: 104,100 shares	Common shares: 66,600 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 Furthermore, the figures shown have been translated into the number of shares after the April 1, 2025 share split (3-for-1 common share split).
 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, 2026 is translated into the number of shares.

1) Number of stock options

	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	3,300	8,400	23,400
Vested	–	–	–
Exercised	3,300	6,000	9,000
Expired	–	–	–
Balance unexercised	–	2,400	14,400

	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	26,700	36,600	26,100
Vested	–	–	–
Exercised	9,600	7,800	8,400
Expired	–	–	–
Balance unexercised	17,100	28,800	17,700

Note: The figures shown have been translated into the number of shares after the April 1, 2025 share split (3-for-1 common share split).

2) Unit price

	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	4,083	3,919	3,973
Fair value at grant date	648	1,186	1,195

	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	3,994	3,904	3,919
Fair value at grant date	1,551	1,536	2,280

Note: The figures shown have been translated into the prices after the April 1, 2025 share split (3-for-1 common share split).

4. Estimation method for fair value of stock options

Not applicable

5. Estimation method for the number of vested stock options

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

XVII. Tax effect accounting

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026
Deferred tax assets			
Tax loss carried forward (Note 3)	¥ 21,839	¥ 2,393	\$ 136,560
Loss on valuation of investment securities, etc.	12,131	3,065	75,857
Deferred gains or losses on hedges	4,291	2,114	26,834
Other operating assets	3,013	—	18,844
Investment tax credits	2,704	2,736	16,911
Excess of allowance for doubtful accounts	2,021	1,408	12,643
Guarantee deposits received	1,401	1,359	8,763
Accrued interest	1,305	0	8,164
Provision for bonuses	1,240	1,185	7,756
Enterprise taxes payable	1,039	413	6,497
Excess of depreciation	802	584	5,015
Revenue recognized for tax purposes	628	551	3,930
Retirement benefit liability	635	703	3,971
Asset retirement obligations	603	426	3,772
Non-deductible consumption tax	571	379	3,571
Accrued expenses	424	680	2,657
Prepaid expenses	301	291	1,883
Provision for loss on guarantees	241	23	1,511
Gain on transfer of receivables	38	75	242
Other	7,673	5,931	47,978
Subtotal deferred tax assets	62,909	24,325	393,357
Valuation allowance related to tax loss carried forward (Note 3)	(67)	(124)	(424)
Valuation allowance related to total deductible temporary differences	(2,402)	(553)	(15,021)
Subtotal valuation allowance (Note 2)	(2,470)	(677)	(15,445)
Total deferred tax assets	60,439	23,648	377,912
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥ (37,789)	¥ (27,675)	\$ (236,289)
Depreciation	(36,462)	(9,387)	(227,993)
Intangible assets	(9,197)	(8,651)	(57,511)
Foreign subsidiary's unitary tax	(6,189)	(4,362)	(38,700)
Gain on valuation of investment securities	(1,473)	(1,181)	(9,211)
Prepaid pension costs	(1,173)	(662)	(7,339)
Gain on transfer of receivables	(557)	(656)	(3,489)
Other	(990)	(1,135)	(6,195)
Total deferred tax liabilities	(93,835)	(53,713)	(586,727)
Net deferred tax liabilities	¥ (33,395)	¥ (30,064)	\$ (208,815)

Notes: 1. During the fiscal year ended March 31, 2026, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the fiscal year ended March 31, 2025 reflect the finalization of the provisional accounting treatment.

2. The amount of valuation allowance increased by ¥1,792 million (U.S.\$11,209 thousand). This increase was mainly due to a change in corporate classification when determining the recoverability of deferred tax assets.
3. Tax loss carried forward and respective deferred tax assets will expire as follows:

As of March 31, 2026

	Within one year (Millions of yen)	Over one year and within two years (Millions of yen)	Over two years and within three years (Millions of yen)	Over three years and within four years (Millions of yen)	Over four years and within five years (Millions of yen)	Over five years (Millions of yen)	Total (Millions of yen)
Tax loss carried forward (*1)	2,712	3,940	4,342	1,863	713	8,267	21,839
Valuation allowance	—	(6)	(4)	(4)	(4)	(47)	(67)
Deferred tax assets	2,712	3,933	4,337	1,859	709	8,220	(*2) 21,772

As of March 31, 2026

	Within one year (Thousands of U.S. dollars)	Over one year and within two years (Thousands of U.S. dollars)	Over two years and within three years (Thousands of U.S. dollars)	Over three years and within four years (Thousands of U.S. dollars)	Over four years and within five years (Thousands of U.S. dollars)	Over five years (Thousands of U.S. dollars)	Total (Thousands of U.S. dollars)
Tax loss carried forward (*1)	16,959	24,639	27,152	11,652	4,462	51,696	136,560
Valuation allowance	—	(41)	(28)	(28)	(28)	(298)	(424)
Deferred tax assets	16,959	24,598	27,123	11,624	4,434	51,398	(*2) 136,136

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

*2 With respect to the tax loss carried forward of ¥21,839 million (U.S.\$136,560 thousand) (amount measured using the statutory effective tax rate), the Company records deferred tax assets of ¥21,772 million (U.S.\$136,136 thousand). This tax loss carried forward arose mainly because the accelerated depreciation tax system was used at overseas subsidiaries. For this tax loss carried forward, the Company recognizes no valuation allowance for the amount it deemed recoverable due to expected taxable income.

As of March 31, 2025

	Within one year (Millions of yen)	Over one year and within two years (Millions of yen)	Over two years and within three years (Millions of yen)	Over three years and within four years (Millions of yen)	Over four years and within five years (Millions of yen)	Over five years (Millions of yen)	Total (Millions of yen)
Tax loss carried forward (*3)	380	992	686	190	25	118	2,393
Valuation allowance	—	(47)	(51)	(0)	(25)	—	(124)
Deferred tax assets	380	945	635	190	—	118	(*4) 2,269

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

*4 With respect to the tax loss carried forward of ¥2,393 million (amount measured using the statutory effective tax rate), the Company records deferred tax assets of ¥2,269 million. This tax loss carried forward arose mainly because the accelerated depreciation tax system was used at overseas subsidiaries. For this tax loss carried forward, the Company recognizes no valuation allowance for the amount it deemed recoverable due to expected taxable income.

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, 2026	As of March 31, 2025
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	0.3	
Non-taxable dividend income	(4.2)	
Local tax on per capita basis, etc.	0.3	
Share of loss (profit) of entities accounted for using equity method	1.3	
Foreign subsidiary's unitary tax	4.6	
Differences in applicable tax rates between parent and subsidiaries	(2.1)	
Amortization of goodwill	1.9	
Investment tax credits	0.4	
Valuation allowance	4.5	
Other	0.2	
Effective tax rate after adoption of tax effect accounting	37.8	

XVIII. Business combinations, etc.

For the business combination with Wako Pallet Co., Ltd. that was conducted on March 28, 2025, the provisional accounting treatment that was carried out in the fiscal year ended March 31, 2025 has been finalized in the fiscal year ended March 31, 2026.

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

As a result, the provisionally calculated amount of goodwill of ¥22,824 million as of March 31, 2025 has been reduced by ¥7,120 million (U.S.\$44,520 thousand) to ¥15,704 million (U.S.\$98,197 thousand). In addition, own-used assets increased by ¥1,588 million (U.S.\$9,929 thousand), other in other intangible assets increased by ¥18,784 million (U.S.\$117,451 thousand), deferred tax liabilities increased by ¥6,411 million (U.S.\$40,087 thousand), and non-controlling interests increased by ¥6,840 million (U.S.\$42,774 thousand).

The amortization period of goodwill is 20 years.

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

XIX. Asset retirement obligations

This information has been omitted because of immateriality.

XX. Real estate leasing business

The Company and some of its consolidated subsidiaries own assets such as commercial facilities for lease and office buildings (including land) for lease in Tokyo and other regions. Net lease income from these assets amounted to ¥8,655 million (U.S.\$54,120 thousand) and ¥14,345 million (principal lease income and lease cost were recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2026 and 2025, 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
		FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Book value				
	Beginning of year	¥ 547,897	¥ 563,759	\$ 3,425,856
	Net change	(6,735)	(15,862)	(42,118)
	End of year	541,161	547,897	3,383,737
Fair value at end of year		¥ 558,498	¥ 562,631	\$ 3,492,145

- Notes:
1. The book value on the consolidated balance sheet is the amount after deduction of accumulated depreciation from acquisition cost.
 2. The increase in book value is mainly attributable to the purchase of real estate of ¥187,075 million (U.S.\$1,169,732 thousand) and ¥78,540 million, in the fiscal years ended March 31, 2026 and 2025, respectively. The decrease in book value is mainly attributable to sales of real estate, etc. of ¥186,461 million (U.S.\$1,165,891 thousand) and ¥82,542 million in the fiscal year ended March 31, 2026 and 2025, 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, 2026. For other properties, the Company reasonably estimated the fair value based on income approach or market approach while the Company used their book value as the fair value for certain properties.

XXI. Revenue recognition

1. Information on disaggregation of revenue from contracts with customers

FY2025 (From April 1, 2025 to March 31, 2026)

	Millions of yen			
	Reportable segments			
	Lease and Installment Sales	Financing	Other	Total
Revenue from contracts with customers				
Revenue from sale of leased properties	¥ 233,088	¥ –	¥ –	¥ 233,088
Provision of services, etc.	6,397	44	63,530	69,972
Total	239,486	44	63,530	303,060
Other revenue	437,518	45,527	2,562	485,608
Revenues from external customers	¥ 677,005	¥ 45,571	¥ 66,093	¥ 788,669

	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	\$ 1,457,442	\$ –	\$ –	\$ 1,457,442
Provision of services, etc.	40,003	276	397,238	437,517
Total	1,497,445	276	397,238	1,894,960
Other revenue	2,735,688	284,669	16,024	3,036,381
Revenues from external customers	\$ 4,233,134	\$ 284,945	\$ 413,262	\$ 4,931,341

FY2024 (From April 1, 2024 to March 31, 2025)

	Millions of yen			
	Reportable segments			
	Lease and Installment Sales	Financing	Other	Total
Revenue from contracts with customers				
Revenue from sale of leased properties	¥ 149,707	¥ –	¥ –	¥ 149,707
Provision of services, etc.	6,122	23	52,787	58,933
Total	155,829	23	52,787	208,640
Other revenue	427,848	38,979	2,926	469,754
Revenues from external customers	¥ 583,677	¥ 39,003	¥ 55,714	¥ 678,395

2. Basic information for understanding revenue from contracts with customers

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

XXII. Segment information, etc.

Segment information

1. Description of reportable segments

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

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

The Lease and Installment Sales segment conducts businesses including leasing of IT and office equipment, industrial machinery, and other assets (includes the sale, etc. of off-lease assets upon lease expiration or termination) and leasing of real estate, and sells commercial/service equipment, production facilities, medical devices, and other assets on an installment basis. The Financing segment is mainly engaged in operating loans, investment in marketable securities for operational financial income, forming tokumei-kumiai (silent partnership) arrangements, etc. The Other segment primarily engages in environmental and energy-related businesses, fee handling, and BPO and mobility businesses, 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, 2025 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

FY2025 (From April 1, 2025 to March 31, 2026)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 677,005	¥ 45,571	¥ 66,093	¥ 788,669
Transactions with other segments	634	10,158	2,984	13,777
Net sales	677,639	55,729	69,077	802,446
Segment profit	¥ 44,627	¥ 1,086	¥ 11,179	¥ 56,892
Segment assets	¥ 2,010,223	¥ 1,588,907	¥ 142,517	¥ 3,741,648
Other items				
Depreciation	61,414	—	3,623	65,038
Amortization of goodwill	910	324	1,228	2,463
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	¥ 282,729	¥ —	¥ 344	¥ 283,073

	Thousands of U.S. dollars			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	\$ 4,233,134	\$ 284,945	\$ 413,262	\$ 4,931,341
Transactions with other segments	3,970	63,517	18,660	86,146
Net sales	4,237,103	348,462	431,922	5,017,487
Segment profit	\$ 279,042	\$ 6,791	\$ 69,902	\$ 355,735
Segment assets	\$ 12,569,396	\$ 9,935,017	\$ 891,126	\$ 23,395,540
Other items				
Depreciation	384,011	—	22,655	406,667
Amortization of goodwill	5,692	2,028	7,682	15,402
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	\$ 1,767,835	\$ —	\$ 2,151	\$ 1,769,987

FY2024 (From April 1, 2024 to March 31, 2025)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 583,677	¥ 39,003	¥ 55,714	¥ 678,395
Transactions with other segments	660	8,999	3,255	12,915
Net sales	584,337	48,002	58,969	691,310
Segment profit	¥ 43,744	¥ 25,090	¥ 11,429	¥ 80,265
Segment assets	¥ 1,922,658	¥ 1,401,269	¥ 141,174	¥ 3,465,101
Other items				
Depreciation	49,417	—	3,737	53,155
Amortization of goodwill	321	324	1,101	1,747
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	¥ 156,964	¥ —	¥ 1,396	¥ 158,361

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
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Reportable segments total	¥ 802,446	¥ 691,310	\$ 5,017,487
Eliminations	(13,777)	(12,915)	(86,146)
Net sales reported on the consolidated statements of income	¥ 788,669	¥ 678,395	\$ 4,931,341

Profit	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Reportable segments total	¥ 56,892	¥ 80,265	\$ 355,735
Eliminations	(1,628)	(1,502)	(10,185)
Corporate expenses (Note)	(14,720)	(14,002)	(92,046)
Operating profit reported on the consolidated statements of income	¥ 40,542	¥ 64,760	\$ 253,504

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
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Reportable segments total	¥ 3,741,648	¥ 3,465,101	\$ 23,395,540
Corporate assets (Note)	102,077	115,260	638,263
Total assets reported on the consolidated balance sheets	¥ 3,843,725	¥ 3,580,361	\$ 24,033,802

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
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Reportable segments total	¥ 65,038	¥ 53,155	\$ 406,667
Adjustment	2,894	2,628	18,101
Amounts reported on the consolidated financial statements	¥ 67,933	¥ 55,784	\$ 424,768

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

Amortization of goodwill	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Reportable segments total	¥ 2,463	¥ 1,747	\$ 15,402
Adjustment	—	—	—
Amounts reported on the consolidated financial statements	¥ 2,463	¥ 1,747	\$ 15,402

Investments in entities accounted for using equity method	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Reportable segments total	¥ —	¥ —	\$ —
Adjustment	62,025	49,412	387,832
Amounts reported on the consolidated financial statements	¥ 62,025	¥ 49,412	\$ 387,832

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
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Reportable segments total	¥ 283,073	¥ 158,361	\$ 1,769,987
Adjustment	3,427	3,428	21,428
Amounts reported on the consolidated financial statements	¥ 286,501	¥ 161,790	\$ 1,791,415

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

FY2025 (From April 1, 2025 to March 31, 2026)

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

FY2024 (From April 1, 2024 to March 31, 2025)

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

2. Information for each region

FY2025 (From April 1, 2025 to March 31, 2026)

(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
	United States	Other	Ireland	Other		
¥ 765,057	¥ 155,663	¥ 9,263	¥ 184,801	¥ 11	¥ 6,150	¥ 1,120,948

Thousands of U.S. dollars						
Japan	North America and Latin America		Europe		Asia	Total
	United States	Other	Ireland	Other		
\$ 4,783,703	\$ 973,323	\$ 57,923	\$ 1,155,517	\$ 74	\$ 38,456	\$ 7,008,995

- 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

FY2024 (From April 1, 2024 to March 31, 2025)

(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
	United States	Other	Ireland	Other		
¥ 740,230	¥ 164,781	¥ 3,302	¥ 175,705	¥ 14	¥ 3,996	¥ 1,088,031

- 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. The amount in “Japan” is presented using figures reflecting material changes to the initial allocation of acquisition cost, which arose due to the finalization of the provisional accounting treatment for business combinations.

3. Information for each of main customers

FY2025 (From April 1, 2025 to March 31, 2026)

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.

FY2024 (From April 1, 2024 to March 31, 2025)

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

FY2025 (From April 1, 2025 to March 31, 2026)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ –	¥ –	¥ 253	¥ 1	¥ 255

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	\$ –	\$ –	\$ 1,587	\$ 12	\$ 1,599

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

FY2024 (From April 1, 2024 to March 31, 2025)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ –	¥ –	¥ 10	¥ 4	¥ 14

Note: 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

FY2025 (From April 1, 2025 to March 31, 2026)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ 19,766	¥ 3,487	¥ 13,694	¥ –	¥ 36,948

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	\$ 123,593	\$ 21,805	\$ 85,630	\$ –	\$ 231,029

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

FY2024 (From April 1, 2024 to March 31, 2025)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ 20,438	¥ 3,811	¥ 14,934	¥ –	¥ 39,184

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

FY2025 (From April 1, 2025 to March 31, 2026)

There are no material gain on bargain purchase.

FY2024 (From April 1, 2024 to March 31, 2025)

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.

FY2025 (From April 1, 2025 to March 31, 2026)

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 ownership, leasing, sales, and brokerage services	Direct (Holdings) 5.3 Direct (Held) 13.9	Lease transactions Purchase and sale of operating assets	Lease payments received	¥1,152	Lease receivables and investments in leases	¥15,873
							Purchase of operating assets	¥23,001		
							Sale of operating assets	¥15,530		

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	\$697,862	Real estate ownership, leasing, sales, and brokerage services	Direct (Holdings) 5.3 Direct (Held) 13.9	Lease transactions Purchase and sale of operating assets	Lease payments received	\$7,206	Lease receivables and investments in leases	\$99,255
							Purchase of operating assets	\$143,820		
							Sale of operating assets	\$97,105		

- 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, 2026.

FY2024 (From April 1, 2024 to March 31, 2025)

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 ownership, leasing, sales, and brokerage services	Direct (Holdings) 5.3 Direct (Held) 13.9	Lease transactions Sale of operating assets	Lease payments received Sale of operating assets	¥14 ¥8,343	Lease receivables and investments in leases	¥16,246

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 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, 2025.

(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.

FY2025 (From April 1, 2025 to March 31, 2026)

Not applicable

FY2024 (From April 1, 2024 to March 31, 2025)

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.

XXIII. 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, 2026	As of March 31, 2025	As of March 31, 2026
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)	¥ 7,445	¥ 5,707	\$ 46,554
Total value of liabilities as of the latest balance sheet date (without elimination of intercompany transactions)	7,441	5,702	46,528

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

FY2025 (From April 1, 2025 to March 31, 2026)

	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	¥ 2,959	Gain on transfer (Note 2)	¥ 49

	Amount of major transactions or the balance as of the end of the fiscal year (Thousands of U.S. dollars)	Major gain or loss	
		Item	Amount (Thousands of U.S. dollars)
Transferred assets (Note 1) Lease receivables and investments in leases	\$ 18,506	Gain on transfer (Note 2)	\$ 307

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

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

FY2024 (From April 1, 2024 to March 31, 2025)

	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	¥ 1,987	Gain on transfer (Note 2)	¥ 33

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

XXIV. Per share information

	Yen		U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Net assets per share	¥ 5,575.11	¥ 5,269.74	\$ 34.86
Basic earnings per share	239.13	501.66	1.50
Diluted earnings per share	238.88	500.78	1.49

Notes: 1. The Company conducted a stock split at a ratio of three shares for one share of common stock on April 1, 2025. Net assets per share, basic earnings per share, and diluted earnings per share are calculated assuming that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2025.

2. 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 481,200 shares for the fiscal year ended March 31, 2026 and 510,600 shares for the fiscal year ended March 31, 2025.

3. 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 483,624 shares for the fiscal year ended March 31, 2026 and 427,458 shares for the fiscal year ended March 31, 2025.

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2026	As of March 31, 2025	As of March 31, 2026
Total net assets	¥ 568,309	¥ 538,054	\$ 3,553,489
Amounts excluded from total net assets	65,426	62,688	409,094
Of which, share acquisition rights	(131)	(197)	(820)
Of which, non-controlling interests	(65,295)	(62,491)	(408,274)
Net assets attributable to common shares	502,883	475,365	3,144,395
Number of common shares as of the fiscal year-end used in the calculation of net assets per share (thousands shares)	90,201	90,206	90,201

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

	Millions of yen		Thousands of U.S. dollars
	FY2025 (April 1, 2025 - March 31, 2026)	FY2024 (April 1, 2024 - March 31, 2025)	FY2025 (April 1, 2025 - March 31, 2026)
Basic earnings per share			
Profit attributable to owners of parent	¥ 21,565	¥ 45,277	\$ 134,844
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	21,565	45,277	134,844
Average number of shares during the period (thousands shares)	90,184	90,256	90,184
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ —	¥ —	\$ —
Increase in the number of common shares (thousands shares)	94	158	94
Residual securities that are not dilutive and not included in the calculation of diluted earnings per share	—	—	—

XXV. Subsequent events

Corporate bond issuance

The Company issued straight bonds as follows:

1. Fuyo General Lease Co., Ltd., No. 47 unsecured straight bond
 - (1) Issue name: Fuyo General Lease Co., Ltd., No. 47 unsecured straight bond
 - (2) Issuance amount: ¥25,000 million (U.S.\$156,318 thousand)
 - (3) Issuance date: June 2, 2026
 - (4) Issue price: ¥100 per ¥100 of face value
 - (5) Coupon rate: 2.028% per year
 - (6) Redemption date: June 1, 2029
 - (7) Use of proceeds: To fund capital investments
2. Fuyo General Lease Co., Ltd., No. 48 unsecured straight bond
 - (1) Issue name: Fuyo General Lease Co., Ltd., No. 48 unsecured straight bond
 - (2) Issuance amount: ¥18,000 million (U.S.\$112,549 thousand)
 - (3) Issuance date: June 2, 2026
 - (4) Issue price: ¥100 per ¥100 of face value
 - (5) Coupon rate: 2.515% per year
 - (6) Redemption date: June 2, 2031
 - (7) Use of proceeds: To fund capital investments

Acquisition of shares resulting in an associate accounted for using the equity method

The Company, pursuant to a resolution of its Board of Directors dated July 30, 2026, has entered into a definitive agreement with Sumitomo Mitsui Trust Bank, Limited (hereinafter “SuMiTB”), and Yokohama Financial Group, Inc. (hereinafter “Yokohama FG”, together with the Company and SuMiTB collectively referred to as the “New Shareholders”), regarding the capital restructuring of Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. (hereinafter “SMTPFC”), a consolidated subsidiary of SuMiTB, into a joint venture of the New Shareholders (hereinafter the “Joint Venture”), based on the Memorandum of Understanding entered into by the New Shareholders on March 30, 2026.

Consequently, the Company plans to acquire shares equivalent to 40% of the outstanding shares, excluding treasury shares, of SMTPFC and make it an equity-method affiliate.

In addition, the corporate name of SMTPFC is scheduled to be renamed as “SMTB Leasing Co., Ltd.”.

1. Purpose of the share acquisition

Through the Joint Venture, the Company aims to generate business synergies together with Sumitomo Mitsui Trust Group, which has SuMiTB as its core subsidiary, and Yokohama FG, leading to strengthening the profitability of the Fuyo Lease Group in a wide range of business domains.

2. Overview of the Joint Venture

The current ownership ratios of SMTPFC's outstanding shares, excluding treasury shares, are 84.9% for SuMiTB and 15.1% for Panasonic Holdings Corporation. Prior to the consummation of the Joint Venture, SMTPFC plans to pay dividends to SuMiTB and Panasonic Holdings Corporation. Following the payment of such dividends, SMTPFC plans to acquire all SMTPFC shares held by Panasonic Holdings Corporation as treasury shares. Consequently, the Company plans to acquire SMTPFC's shares through the disposal of treasury shares by way of a third-party allotment from SMTPFC to the Company. Simultaneously, SuMiTB plans to transfer a portion of SMTPFC shares held by SuMiTB to the Company and Yokohama FG. Following these transactions, the ownership ratios of SMTPFC's outstanding shares, excluding treasury shares, are expected to be 45% for SuMiTB, 40% for the Company and 15% for Yokohama FG.

3. Overview of SMTPFC

(1) Name	Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.
(2) Location	1-2-3 Shibaura, Minato-ku, Tokyo
(3) Job title and name of representative	President: Keiichi Hamano
(4) Business description	General leasing services, installment sales services and credit card services
(5) Capital	¥25,584 million
(6) Date of establishment	February 27, 1967

4. Number of shares to be acquired, acquisition amount, and shareholding before and after the acquisition

(1) Number of shares held prior to change	No shares (Number of voting rights: None) (Voting rights ownership ratio: —%)
(2) Shares to be acquired	4,733,176 shares (Number of voting rights: 4,733,176)
(3) Acquisition price	Common shares of SMTPFC: ¥53,439 million
(4) Number of shares held after acquisition	4,733,176 shares (Number of voting rights: 4,733,176) (Voting rights ownership ratio: 40%)

5. Date of share acquisition

October 1, 2026 (Planned)

6. Funding and payment methods

Planned to be funded through loans from financial institutions