

FUYO LEASE GROUP

Fuyo Lease Group Integrated Report

2023

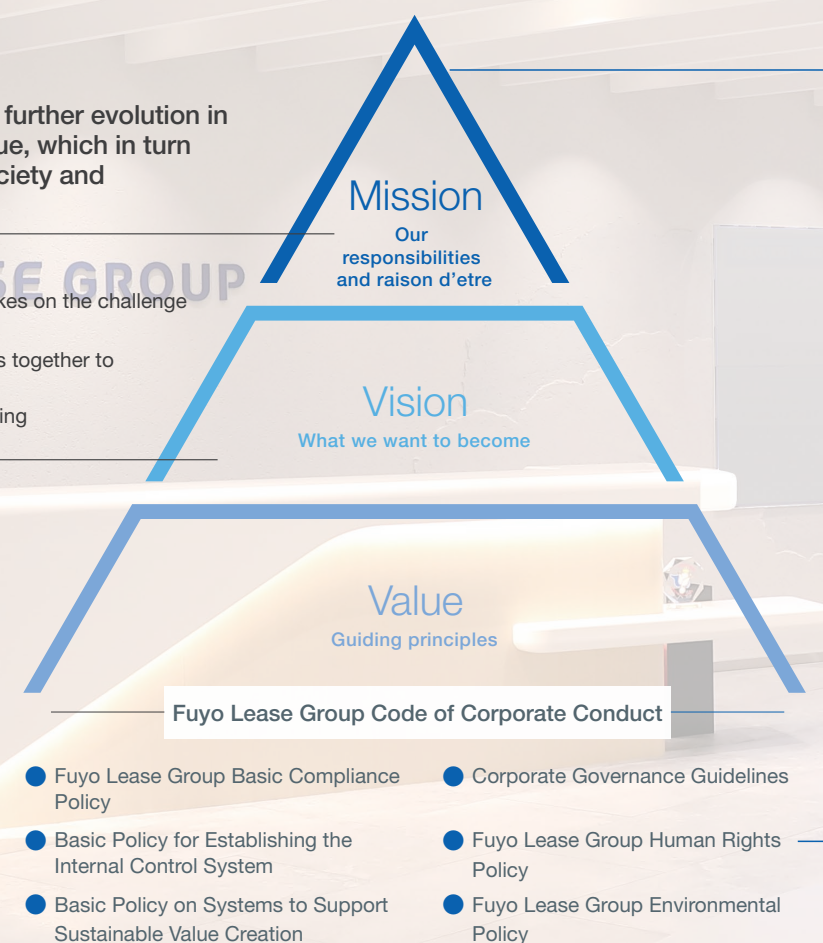
Fuyo Lease Group’s Mission, Vision and Values

Expand business domains and promote further evolution in our relentless attempt to create new value, which in turn contributes to realizing a prosperous society and sustainable growth.

- ▶ The group that anticipates social changes and takes on the challenge of yet unseen issues
- ▶ The group that is trusted by customers and works together to solve social issues
- ▶ The group that grows with employees by supporting the challenges and growth of each employee

Corporate Slogan

“Go Where No One Has Gone Before.”



About Us	Top Message	Shared Value Story	Strategy & Action	Management	Corporate Governance	Financial Section & Corporate Data
----------	-------------	--------------------	-------------------	------------	----------------------	------------------------------------

To achieve sustainable growth, we have established a common Mission / Vision for the group and values for each group company.

The Group mission defines the Group’s raison d’etre and the Group Vision defines a medium- to long-term ideal to achieve from the perspectives of “society,” “customers” and “employees;” the particularly important stakeholders for advancing business.” The Group also stipulates Value for each Group company as a guiding principle to achieve the Vision.

The Group culture expressed in Mission, Vision and Value is shared, and while responding to changes in the external environment, all Group directors and employees will display their capabilities in the workplace and the Group will work in unity as it aims to create value.

The Fuyo Lease Group puts the Mission, Value and Value into practice and works to create new value. For details, please refer to the Fuyo Vision Stories pages. [▶ P13 ~18](#)

The Fuyo Lease Group Code of Corporate Conduct stipulates the six basic policies to support realization of Mission, Vision and Value.

Contents

About Us	Mission Vision Value	01
	History of Value Creation	03
	Fuyo Lease Group Network	05
Top Message		07
Shared Value Story	Value Creation Process	11
	Materiality	12
	Fuyo Vision Stories	
	Creating Peace of Mind in Health and Welfare through Business Support for Community Medical Institutions	13
	Creating New Value Creation Times in Business	15
	Contributing to a Decarbonized Society	17
Strategy & Action	Medium-Term Management Plan Fuyo Shared Value 2026	19
	Financial and Non-Financial Highlights	21
	Message from Senior Financial Officer	23
	Status of Initiatives to Enhance Social Value	25
	Value Creation by Business Area	
	Energy and Environment	27
	Circular Economy	28
	BPO/ICT	29
	Mobility	30
	Healthcare	31
	Real Estate	32
	Aircraft	33
	New Domains and Incubation	34
Management	CSV Management	35
	Stakeholder Engagement	37
	Human Capital	38
	DX Strategy	42
	Climate Change Response	43
	Initiatives for Respect for Human Rights / Initiatives related to Biodiversity	46
	Initiatives to Realize a Circular Society	47
	Community Contribution	48
	Corporate Governance	Board Members
Message from an Outside Director		51
Corporate Governance		53
Risk Management		58
Compliance System		60
Independent Assurance Report		61
Financial Section & Corporate Data	Financial Section	62
	Stock Information	131
	Participation in Initiatives	132

Editorial Policy

Purpose of this Report

Since fiscal year 2018, Fuyo Lease Group has integrated its CSR Report and Annual Report into an Integrated Report. This report is designed to provide information on our financial and non-financial activities in an integrated manner to help our shareholders, investors, and other stakeholders assess the Group’s value comprehensively. We also aim to showcase the foundation of all our activities for value creation which will help stakeholders better understand our future corporate values.

About Integrated Report 2023

The report will center on progress of the first year of the Medium-Term Management Plan Fuyo Shared Value 2026, contain a fuller description of value creation toward realization of the Fuyo Lease Group’s Mission, Vision and Value, and newly include the Fuyo Vision Stories as a feature at the beginning. From the perspective of giving equal emphasis to financial and non-financial information, in addition to disclosures from a financial aspect, the report will also disclose sustainability-related policies and systems in place, as well as our relationships with stakeholders, human capital, climate change, human rights, biodiversity and the promotion of a circular society, from a variety of perspectives.

Reporting Period

Fiscal year 2022 (April 2022 - March 2023)
*The report also includes some information pertaining to fiscal year 2023.

Scope of Reporting

Fuyo General Lease Co., Ltd., its 65 consolidated subsidiaries and 18 affiliate companies

Reference Guidelines

International Financial Reporting Standards Foundation
“International Integrated Reporting Framework”
(published in January 2021)

Date of Issuance

September 2023

Note on Forward-Looking Statements

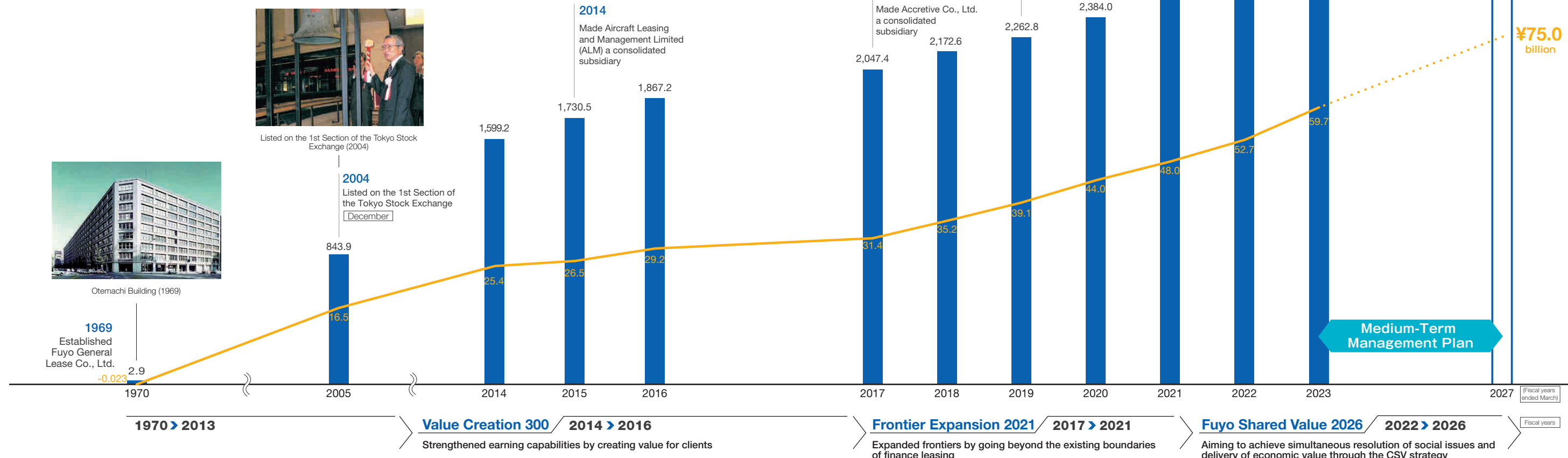
This report contains forward-looking statements, such as future plans and strategies, that are based on currently available information. These expectations and projections are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These uncertainties include, but are not limited to social and economic conditions, market demand and competition, laws and regulations, interest rates, and currency exchange rates.

Independent Assurance

Fuyo General Lease Co., Ltd. has engaged Ernst & Young ShinNihon LLC to perform assurance of selected environmental and social data in order to assure credibility of reported figures. The data subject to the third-party assurance is indicated with

Fuyo Lease Group's History of Value Creation

The Fuyo Lease Group has continued expanding business since the foundation of Fuyo General Lease Co., Ltd. in 1969 through a growth strategy built around the ability to propose solutions, M&A and diversification of business domains around a core of value creation. Amid a rapidly changing external environment, the Group will continue to grow sustainably by utilizing the problem-solving abilities it has cultivated until now and based on the concept of CSV (creating shared value) to produce results from a financial aspect as well as simultaneously achieving value creation from a non-financial aspect through resolving social issues.



Fuyo Lease Growth Strategy		<ul style="list-style-type: none"> Developed business centered on the benefits of leasing as a means to rationalize and streamline corporate management Listing on the First Section of the Tokyo Stock Exchange (2004) allowed us to operate more freely and engage in new businesses 	<ul style="list-style-type: none"> Evolved and advanced the leasing business, keeping in mind "value creation by solving customers' problems" Began pivoting away from the finance leasing field by developing Strategic Areas, such as aircraft and real estate, to build a highly profitable business portfolio 	<ul style="list-style-type: none"> Positioned Real Estate, Energy & Environment, Medical & Welfare, Aircraft and Overseas as Strategic Areas, and concentrated our management resources Promoted the expansion of new business areas such as business process outsourcing (BPO) and Mobility through proactive M&A strategies. Advanced stronger collaboration among Group companies 	<ul style="list-style-type: none"> Promoting simultaneous achievement of social value and corporate value while focusing on the concept of CSV Aiming to achieve sustainable and stable profit growth through strategic allocation of management resources in line with changes in society Strengthening initiatives to invest in human resources and DX
Promotion of Sustainability	Environment	<ul style="list-style-type: none"> Started operation on the first deal in the ESCO business (2006) Started operation on the first solar power generation project (2013) <p>Started response to environmental issues</p>	<ul style="list-style-type: none"> ESCO-related results topped 100 facilities and cumulative value of ¥10 billion (2014) Conclusion of the first deal for building a hotel using hydrogen energy (2016) <p>Promoted energy saving / energy management</p>	<ul style="list-style-type: none"> Participated in RE100, committed to converting to using renewable energies (2018) Announced carbon neutrality targets (2021) Launched the Fuyo Zero Carbon City Support Program (2020) <p>Started in-house reduction initiatives, full-fledged initiatives in the renewable energy business</p>	<ul style="list-style-type: none"> Set contribution to CO2 emissions reduction as KPI (2022) Participated in wind power generation in the United Kingdom (2022) Achieved 500 MW of power generation capacity through renewable energies (2023) Launched circular economy lease initiative (2023) <p>Promoted contribution to emissions reduction through business</p> <p>Promoted initiatives to achieve a circular economy</p>
	Society and people	<ul style="list-style-type: none"> Conclusion of the first deal for an operating lease with an owned aircraft (2011) Conclusion of the first deal for real estate lease with owned land (2012) <p>Engaged in improving social infrastructure utilizing leasing functions</p>	<ul style="list-style-type: none"> Started handling building leases for elderly care homes (2016) <p>Started taking on projects focused on creating social value</p>	<ul style="list-style-type: none"> Promoted initiatives to make BPO companies Group companies, growing the BPO business (2018 onward) <p>Expanded to business fields other than leasing</p> <p>Started providing BPO business solutions for labor shortages and work style reforms</p>	<ul style="list-style-type: none"> Started region-specific healthcare fund initiatives (2023) Made the video production business Human Centrix Co., Ltd. a Group subsidiary (2022) <p>Promoted initiatives for joint venture-type projects</p> <p>Expanded range of provided services under the slogan "creation of value creation time"</p>

* Calendar year unless otherwise noted

Fuyo Lease Group Network

The Fuyo Lease Group has a network of Group companies in Japan and overseas that provide a wide range of services. We are working to enhance our online portal sites and broaden our contact with customers.

Domestic Group Companies

Fuyo Auto Lease Co., Ltd.

Through auto leasing, Fuyo Auto Lease streamlines complicated operations relating to customers' vehicles and provides total support for rationalizing management.

Accretive Co., Ltd.

Accretive provides highly convenient financial services, focusing mainly on factoring business for nursing care and medical receivables.

eXtreak, inc.

eXtreak provides IT facility services to companies including design, construction, and building of IT infrastructure and facility-related maintenance.

YAMATO LEASE CO., LTD.

In addition to new and used truck leasing, procurement and sales, the company also offers services to assist transport companies with management issues.

Human Centrix Co., Ltd.

Human Centrix provides services from planning and production to distribution related to video services for business use, supporting companies to improve communication efficiency, marketing and DX promotion.

Aqua Art Co., Ltd.

Aqua Art provides tropical fish tanks (aquariums), which replicate the natural environment, for rent with comprehensive maintenance systems.

FGL Circular Network Co., Ltd.

FGL Circular Network engages in recycling resources by buying and selling Fuyo Lease's properties with expired leases and used properties owned by customers.

FGLGROUP Business Service CO., Ltd.

FGLGROUP Business Service handles shared services related to the sales administration of each Fuyo Lease Group company and non-life insurance agency business.

Yokogawa Rental & Lease Corporation

Yokogawa Rental & Lease offers rental services for measuring instruments and IT equipment. Since it holds one of the largest stocks of equipment in the industry. It can respond quickly to the needs of customers.

Sharp Finance Corporation

As a good partner of sales companies, Sharp Finance offers financial services solutions, which include leasing items for sales promotions.

INVOICE INC.

INVOICE's offering includes business customers combined billing services that help reduce costs and improve productivity.

NOC Outsourcing & Consulting Inc.

NOC Outsourcing & Consulting offers high quality BPO services to customers. The company provides customers with support to increase their work efficiency and reduce costs in human resources, accounting, administrative, IT, and other operations.

WorkVision Corporation

WorkVision provides a full range of IT solutions centered on cloud service and package service that covers planning, development and sales to operation, maintenance and other services.

FUJITA Co., Ltd.

FUJITA specializes in replacing medical equipment in addition to buying and removing second-hand medical equipment. FUJITA also assists hospitals and clinics close medical practices.

FGL Techno-Solutions Co., Ltd.

FGL Techno-Solutions Co., Ltd provides equipment sales, outsourcing helpdesk services, kitting and construction and other technical services in ICT-related fields.

FGL LeaseUp Business Service Co., Ltd.

FGL LeaseUp Business Service handles the paperwork for Fuyo Lease's lease expiration projects on behalf of Fuyo Lease.

FGL GROUP Management Service Co., Ltd.

FGL GROUP Management Service handles shared services related to human resources and administrative work for all Fuyo Lease Group companies.

MerryBiz Inc.

MerryBiz offers professional accountants from across Japan who handle accounting tasks remotely and online as "virtual accounting assistants."

Fuyo General Lease Co., Ltd.

Headquarters	Kojimachi Garden Tower, 5-1-1, Kojimachi,Chiyoda-ku, Tokyo 102-0083, Japan	Number of employees	Consolidated: 3,437/Non-consolidated: 816(as of March 31, 2023)
Established	May 1, 1969	Line of business	Leasing and installment sales of IT equipment, office equipment, industrial machinery/machine tools, commercial/service equipment, medical devices, transportation equipment (ships, aircraft, automobiles, etc.), civil engineering and construction machinery, etc., commercial loans and other financial services, leasing of real estate and consultative services, etc.
Paid-in capital	¥10,532 million (Number of shares outstanding: 30,288,000 shares)		
Shares listed on	Prime Market of the Tokyo Stock Exchange (ticker: 8424)		

Overseas Group Companies

Fuyo General Lease (USA) Inc.

Based in New York and Los Angeles, Fuyo General Lease (USA) Inc. provides financial services to customers located in the Americas.

Fuyo General Lease (HK) Limited

Fuyo General Lease (HK) Limited provides financial services to companies expanding into East Asia except for Japan.

Fuyo General Lease (Taiwan) Co., Ltd.

Fuyo General Lease (Taiwan) Co., Ltd. provides financial services to companies expanding into Taiwan.

FGL Aircraft Ireland Limited

Based in Dublin, FGL Aircraft Ireland Limited offers aircraft leases to airlines in Europe and Asia.

Aircraft Leasing and Management Limited

Aircraft Leasing and Management Limited provides comprehensive aircraft services including aircraft lease marketing, aircraft management, post-lease aircraft sales.

TDF Group Inc.

Based in Canada, TDF Group Inc. engages in rental, leasing, and sales of pickup trucks in North America.

Fuyo General Lease (China) Co., Ltd.

Based in Shanghai, Fuyo General Lease (China) Co., Ltd. offers leases to companies expanding their businesses into China.

Fuyo General Lease (Asia) Pte. Ltd.

Fuyo General Lease (Asia) Pte. Ltd. provides financial services to companies expanding into Southeast Asia.

Fuyo General Lease (Thailand) Co., Ltd.

Fuyo General Lease (Thailand) Co., Ltd. provides financial services to companies expanding into Thailand

FGL Aircraft USA Inc.

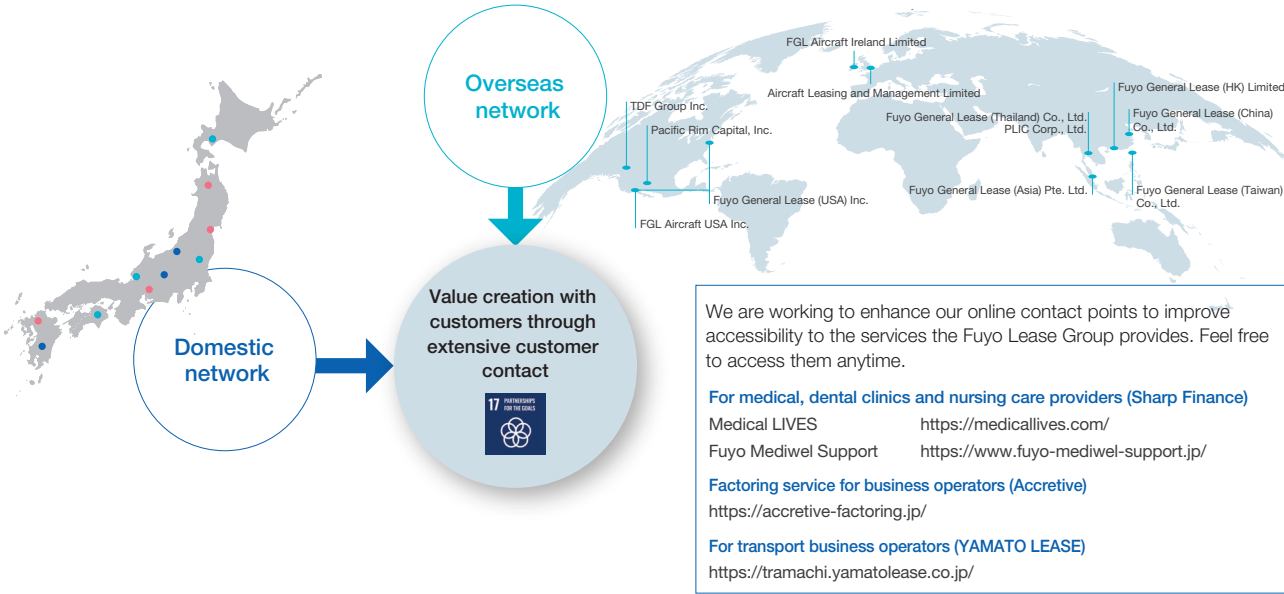
FGL Aircraft USA is based in Torrance, California and conducts aircraft leasing for mainly North American airline customers.

Pacific Rim Capital, Inc.

Pacific Rim Capital conducts operating leases for material handling equipment centered in the U.S., Canada, Mexico and Europe.

PLIC Corp., Ltd.

PLIC Corp. provides logistics solutions in Thailand, including forklift rental with maintenance and automated warehousing system implementation consultations, sales and installations.



Business legend:

Energy & Environment

Circular Economy

BPO/ICT

Mobility

Healthcare

Real Estate

Aircraft

General lease and Financing

Top Message

We aim to create value centered on trust and CSV as we move toward our vision for 2030.

President and Chief Executive Officer
Hiroaki Oda



Five Years of Strengthening Our Corporate Foundation

The Fuyo Lease Group has achieved steady growth over the past five years since the previous Medium-Term Management Plan. This growth of approximately double the ordinary profit has been supported by the strengthening of the Fuyo Lease Group's unique sales capabilities and of our corporate foundation.

For me, the real pleasure of the job is establishing a good rapport with customers through repeated proposals and successfully completing projects that are useful to them. Repeatedly and thoroughly, every time the occasion arises, I tell our employees that in order to build a pipeline with our customers, we should know our customers well and gain their trust by

listening to their concerns, continuing to offer our wisdom, and keep making proposals until they are satisfied with our services. Each and every one of our employees has become familiar with these guiding principles, and as they gain experience working on their own, they are now able to provide solutions that truly address our customers' business challenges.

To achieve the goal of strengthening our sales capabilities, we added a company that provides BPO services to the Group, and in addition to the business fields of human resources, accounting, general affairs, and sales, we also provide training and other video creation services for business use, which has strengthened our sales style which maintains an ongoing customer pipeline. At the same time, the BPO service itself became a major pillar of business and enabled us to strive for even higher goals.

Progress of the Medium-Term Management Plan Fuyo Shared Value 2026 and Future Challenges

In fiscal 2022, we launched our Medium-Term Management Plan Fuyo Shared Value 2026. The plan fully incorporates the concept of CSV (Creating Shared Value), which aims to improve corporate value by addressing social issues through business. This is the Fuyo Lease Group's growth strategy, which aims to achieve strong and sustainable profit growth by equally pursuing financial (corporate value) and non-financial (social value) targets.

For business domains that drive growth, we will intensively invest management resources in the domains of Mobility and Circular Economy for strategic growth enabled by capturing tectonic social changes and in Energy & Environment, BPO/ICT, and Healthcare for accelerated growth enabled by capturing market trends, with the aim of realizing dramatic growth in profits.

In fiscal 2022, the first year of the plan, we achieved record-high business results and surpassed those of fiscal 2021. This was mainly the result of steady advancements through businesses in the business domains that we have positioned as growth drivers. We achieved both quality and quantity by improving ROA and increasing operating assets, realized steady profit growth while improving profitability, and were able to pass through the first year of the plan at a steady pace, which I think is highly commendable.

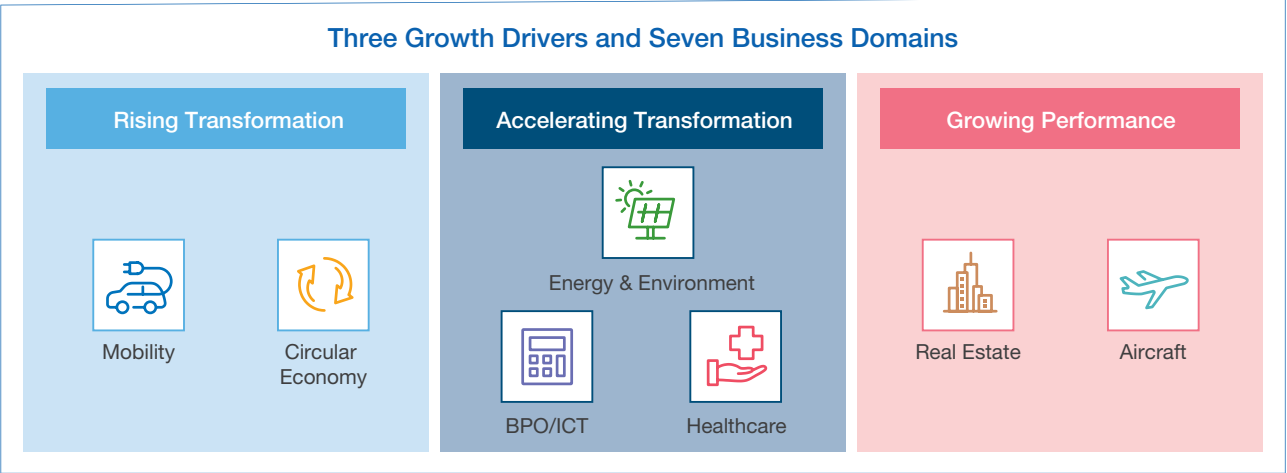
Looking ahead, there is a strong tailwind in the Energy & Environment domain, as exemplified by the agreement reached at the G7 Summit by a total of seven countries to aim to introduce three times the amount of solar power and seven times the amount of offshore wind power compared to 2021 by 2030.

Collaborations with partners both within Japan and overseas are proceeding in various formations, and we will work on expanding business further.

In the Healthcare domain, business operators' funding issues have surfaced since the termination of subsidies related to COVID-19, and the digitalization of operations is being delayed. We will combine the Group's BPO functions and healthcare-related services and contribute to earnings improvements and the streamlining of operational duties. In fiscal 2022, we participated in the creation of a region-specific healthcare fund, but the construction and maintenance of medical and nursing infrastructure is an important societal topic. We will work to solve societal issues through methods including collaboration with regional financial institutions that support local areas.

In the Circular Economy domain, determining how to establish a highly profitable business model and achieve economic value along with social value will become an important topic. We have now released a "Circular Economy Lease," which is a product that works to promote the realization of a circular society together with customers. Although the current scope of the lease is limited to items such as personal computers, we will work to expand the scope and simultaneously create both social and economic value.

In the Mobility domain, rather than simply pursue short term EV figures, we will work to build a coalition with alliance partners in preparation for the expansion of the EV market. Overseas, we will expand business on a global basis in the logistics domain by turning our equity-method affiliate Pacific Rim Capital into a consolidated subsidiary. In addition, looking toward the expansion of these new business domains, we will strongly promote collaboration with partner companies and strengthen insufficient functions.



We aim for value creation and sustainable growth centered on trust and CSV.

Since becoming president, I have strongly transmitted a message of wanting to become a corporate group that is trusted. At the same time, we clarified our Mission, Vision and Values, and worked to improve the awareness of each and every employee. In the past year, we held Group-wide workshops, considered overlaying each individual employee's vision onto the Group's Vision, and deepened their understanding of the Vision as something personal. Additionally, in order to implement the Values that serve as our action guidelines to achieve the Vision, we have repeatedly conveyed the "10 RM Practices" (see chart below), which will lead to concrete actions, and I feel that this has enabled us to begin sharing a direction and a specific way of moving forward.

We will deepen understanding of the relationship between our Mission of contributing to realizing a prosperous society and sustainable growth and our daily operating activities. Achieving our Values and feeling that they connected to the Vision has led to an increase in the number of people who see the Vision as something personal, but I would also like to persistently talk about the Mission beyond that.

In order for the Group to continually develop, we must simultaneously pursue economic and social value, earn the trust of customers and society, and become a necessary presence. I believe that our ideal vision means value creation and sustainable growth centered on trust and CSV.

Initiatives for human resources development and DX: Human resources development means cultivating trust, and spending 300% of our money and physical energy on development

To those of us in the service business, people are the most important asset, and the thing that we must spend the most amount of physical energy on is development. The human resources sought by Fuyo Lease are, to sum it up, people who are trusted. Although we have set a target to increase the per-person human resource development-related expenses to 300% of the fiscal 2021 level within five years, it is important to triple the physical strength of people spent on training and learning in addition to the monetary amount. Those at the top will spend three times the amount of physical energy themselves, and those who come to understand will become missionaries who spread the message to spend physical energy. That is why I believe people who value trust will grow.

That is not a unilateral process. For example, it is important to listen carefully to what young employees are thinking, and to deepen dialogue while responding appropriately. I feel that by engaging in so-called "bouncing off ideas" conversations with employees, they will be able to grow and relationships of trust will be built between us, while at the same time I will become able to organize my own thoughts and gaining new ideas.

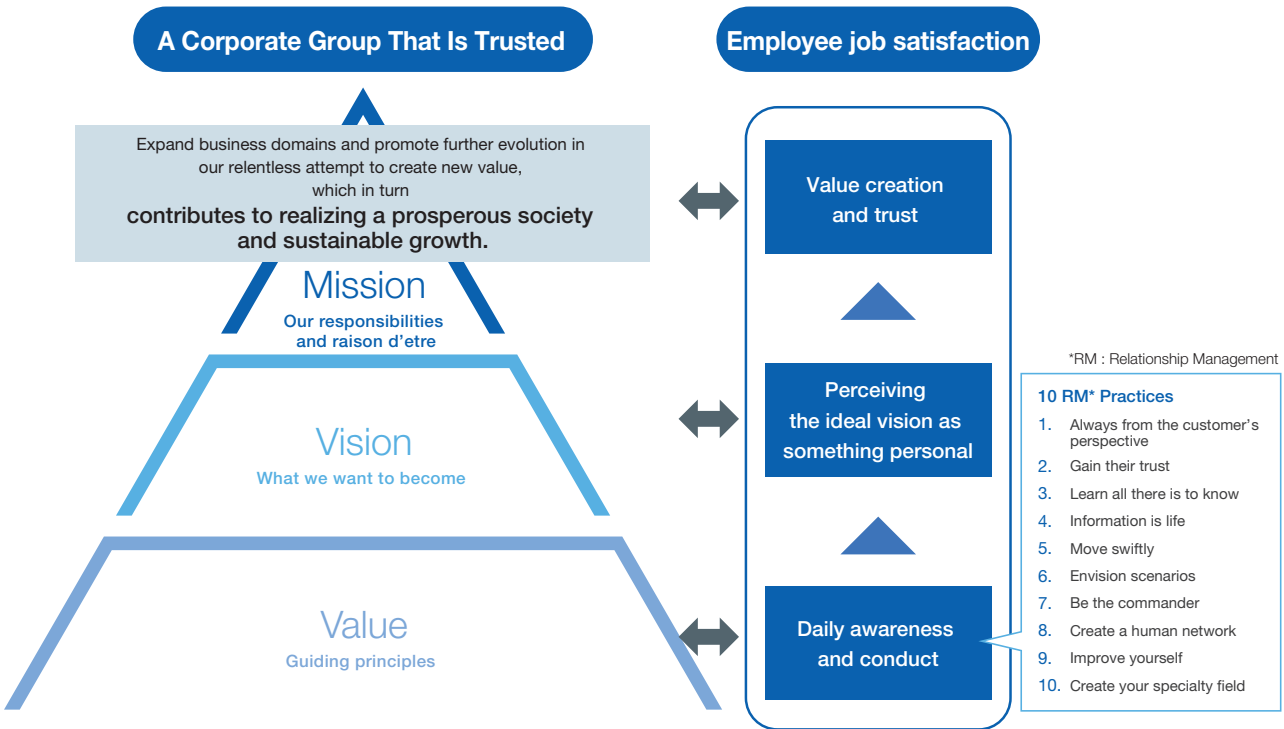
The same applies to diversity. By "bouncing off ideas" with people in different positions with different values, we can become aware of new ways of thinking and learn. Listening to the voices of various people including women and foreigners will result in the promotion of diversity and lead to the discovery and understanding of new social value. That is also a very valuable concept for the development of CSV which the Group cherishes.

There are two aspects to DX initiatives, which are "DX for customers" and "In-house DX." "DX for customers" is highly compatible with BPO/ICT, and is capable of meeting customers' DX needs in combination with the functions of affiliated Group companies. Meanwhile, in businesses that solve customers' burdensome tasks, we must promote "In-house DX," shorten lead times, streamline operational tasks and create new value to increase profit. We will visualize internal operational processes, identify the issues, and proceed with digitalization. To do that, I think it is important to work on improving the awareness of each individual Group employee and to make each of them view the Mission as something personal.

To our Stakeholders: We aim to solve social issues and simultaneously achieve value extending into the future and sustainable growth

The Medium-Term Management Plan fully incorporates the concept of CSV, which aims to jointly improve corporate value by solving social issues through business. The growth strategy of the Fuyo Group is to aim for robust and sustainable profit growth by pursuing financial goals, or corporate value, and non-financial goals, or social value, equally. The plan declares our aim to develop our business, expand into new business areas, and pursue sustainable growth as a company while solving social issues. By firmly executing the current Medium-Term Management Plan, we will achieve growth as a company and move forward toward our mission almost like walking continually towards the horizon.

Going forward, we will continue to increase the trust of our shareholders, customers, partners, and employees who are our stakeholders, build win-win relationships, and aim to be "Fuyo Lease, which is trusted and always chosen." We hope that you will look forward to the future of the Fuyo Lease Group.



Fuyo Lease Group's Value Creation Process

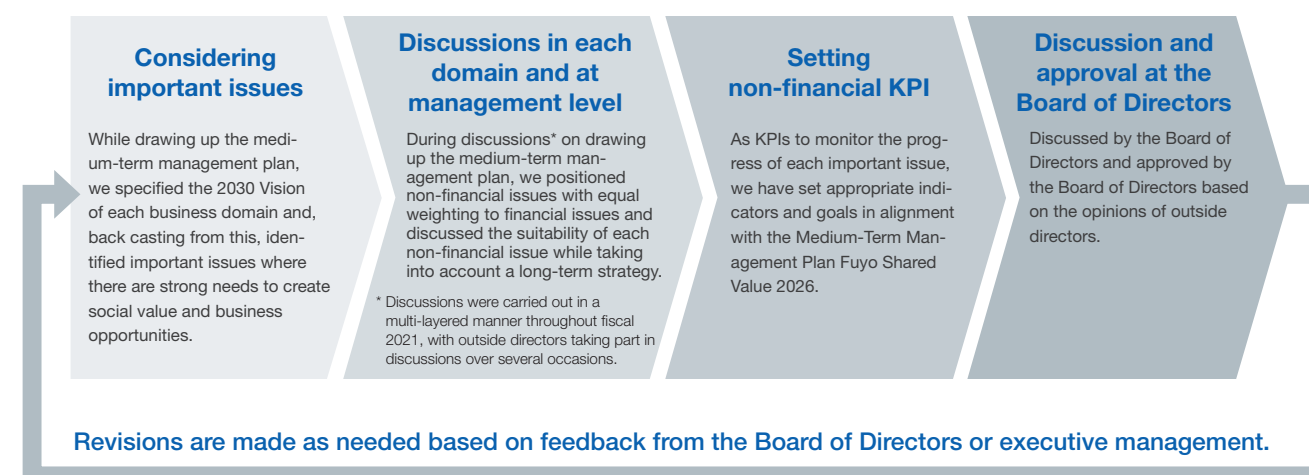
The Fuyo Lease Group's value creation process, which emphasizes CSV (Creating Shared Value: the simultaneous realization of corporate value and social value) management, is to achieve sustainable profit growth while solving social issues in the areas of “environment” and “society and people” through business in various domains. To achieve the vision for 2030 under this process, the Medium-Term Management Plan Fuyo Shared Value 2026 concentrates investment of management resources on the growth drivers selected from the multiple business domains the Group possesses and is engaged with emphasis on organizational and structural support for sustainable value creation, such as human resource investment and DX, and building partnerships with customers.



Materiality

We have identified materiality as an important item in relation to the key elements of the value creation process of environment, society and people, organizational and structural support for sustainable value creation and value creation through partnerships. Non-financial KPI and targets for fiscal 2026, the final year of the medium-term management plan, have been set for each materiality issue, and we monitor progress while moving forward on each materiality issue.

Materiality Definition Process



Fuyo Lease Group's Materiality

The Fuyo Lease Group's eight important issues (materiality) to create social value and realize CSV by carrying out our business are described below.

Environment	  	Contribution to the realization of a decarbonized society
		Contribution to the realization of a circular society
Society and people	  	Delivery of reassurance by ensuring health and welfare
		Creation of new value creation time
Organizational and structural support for sustainable value creation	 	Strategic human resources development
		Diversity and inclusion
		Health and productivity management, work-life balance
Value creation through partnerships		Value creation through partnerships

* For non-financial KPI and fiscal 2026 goals, please see the Materiality pages P25-26



Get to know stories of the Fuyo Lease Group's value creation from the perspective of society, customers and employees



Creating Reassurance about Health and Welfare through Business Support for Regional Medical Institutions

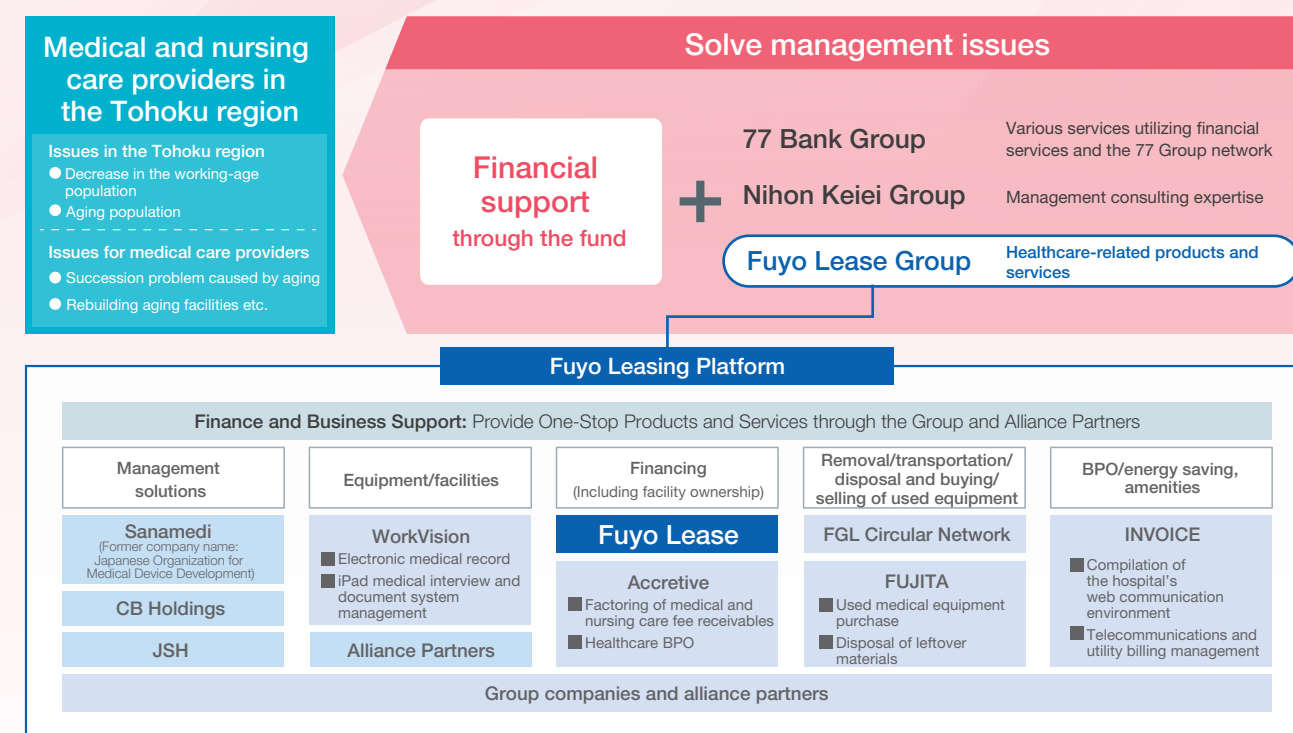
Creation of a Healthcare Fund Specializing in the Tohoku region Creating Reassurance for People's Health and Welfare through Financing and Business Support for Regional Medical Institutions

The Fuyo Lease Group, The 77 Bank, Ltd. and Nihon Keiei Group pooled their respective expertise and resources, and established the Tohoku Healthcare Support Co., Ltd. on April 6, 2023, to operate Japan's first fund specializing in local communities, and on April 28, 2023, formed the Tohoku Healthcare Support No.1 Fund for the healthcare field in the Tohoku region to provide optimal solutions to the various management issues confronting medical and nursing care providers in regional areas.

A Scheme to Achieve Stakeholder Value Creation

The Fuyo Lease Group not only provides financial support through the fund, we also offer full Fuyo Lease platform services owned by the Group and help medical care providers to solve management issues.

Provision of reassurance through the maintenance and expansion of the regional medical care base, solution of management issues for operators and acquisition of new earning opportunities for the Fuyo Lease Group make it an initiative that brings new value to all stakeholders.



Vision of Value Creation and Non-Financial Targets

We will deliver reassurance by ensuring health and welfare through solutions that resolve the management issues faced by medical welfare providers.

By tackling this as a key issue, we will contribute to the sustainable realization of a prosperous society and a healthy life for all people.

(¥100 million)			
Non-Financial Targets	2022/3 Result	2023/3 Result	2027/3 Target
Management support-related financing in medical and welfare markets *	233	217	560

* The balance of operating assets for financing related to FPS Medical (factoring for medical and nursing care receivables by Accretive) and business succession.

From Customers and Society

77 BANK

We would like to utilize the Fuyo Lease Group's extensive knowledge and wide range of solution menus to face the healthcare issues faced by the community and be close to our customers.

The 77 Bank, Ltd.

General Manager, Consulting Promotion Division (currently General Manager, General Planning & Coordination Division)

Shigeru Tanabe

When we launched this fund, we were attracted by the Fuyo Lease Platform Concept, which was able to provide for a varied selection of solutions tailored to the situations faced by healthcare providers. So, we approached Fuyo Lease as a business partner that could share our philosophy. Setting up a fund with three companies jointly investing was the first time our bank had done such a thing, but when Fuyo Lease provided with a detailed and speedy explanation of the values and such things as its wealth of knowledge and

expertise it could provide, explanations inside the bank were smoothly organized.

Population decline and the progression of the aging of society are social issues shared throughout Japan. We will cooperate with the Fuyo Lease Group to make this initiative a model case and leading indicator for all of Japan, and help to create or revitalize local communities.



Sales Divisions and Dedicated Divisions Collaborated to Provide Value to Customers and Society

The Fuyo Lease Group provides solutions through collaboration between sales representatives in charge of major companies and areas, who deepen their understanding of needs through relationships of trust with customers, and dedicated divisions, support divisions and Group companies, who constantly think of new ideas and propose solutions. Developing people who are capable of providing these types of services is the source of the cherished value creation of the Fuyo Lease Group.

From Person in Charge, Dedicated Divisions (Solution Provision)

Deputy General Manager, Healthcare Advisory & Business Division

Hiroyuki Hyodo

This was the first time Fuyo Lease had been involved in investment in a fund operating company, and with the cooperation of everyone inside and outside of the Company, we cleared issues one by one and made it through to closing. The Tohoku Branch also build a relationship of deep trust with The 77 Bank, and even though the situation was always changing, we were able to respond smoothly. Leveraging the knowledge gained from operating a fund specializing in local communities, we will expand and provide a selection of solutions for problems facing business operators in response to a super-aging society.



From Person in Charge of Sales in Tohoku Area

Deputy General Manager, Tohoku Branch

Osamu Hatakeyama

In 2018, after considering the significance of the Tohoku Branch and the sales strategy of establishing relationships with local financial institutions, we formed the internal project team, Team Tohoku, in conjunction with Group companies and the dedicated divisions in the head office. To be a business partner in regional financial institutions' efforts to create local communities, we needed to build grass-roots relations, gains customers' trust and always put ourselves in customers' situations and think about what we could do for them. We don't want to stop at just this initiative, but join those from regional financial institutions that share the philosophy of creating local communities and continue to work to solve social issues.



From Officer in Charge of Sales

Managing Executive Officer, East Japan & Chubu Area Officer **Takeshi Kodaira**

I feel that the key point in concluding this project was the multi-layered relationships built up between members of the sales divisions, dedicated divisions, support divisions and Group companies. I expect that the successful experience this time will lead to many realizations among employees responsible for sales and that will connect to further growth. We want to provide environments that encourage people to continue to take on challenges,

"Go Where No One Has Gone Before," and support employees' further growth. Last year, the Fuyo Lease Tohoku Branch celebrated its 50th anniversary of opening. Gathering the resources of the Fuyo Lease Group, rooting ourselves in the local community and continuing to turn our attention to issues facing communities, we will help to energize creation of local communities and other communities.





Get to know stories of the Fuyo Lease Group's value creation from the perspective of society, customers and employees



Creating Time for New Value Creation in Business

Editing a company's message into a video format and transmitting it online helps to drastically reduce communication costs and significantly improve productivity. Human Centrix provides video production solutions for business use.

Videos contain a large amount of information compared to text or static images, which is why the market is becoming aware of streamlining of operational processes through the use of videos.

Human Centrix, a member of the Group, provides a service designed to create time for our customers' value creation. Our new solution to enhance operational efficiency supports our customers' DX efforts.



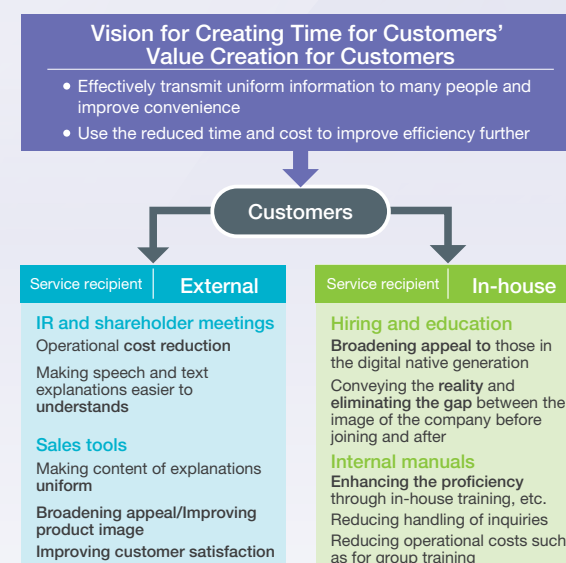
Value Creation through Video Production and Transmission Service

Values Generated by Human Centrix

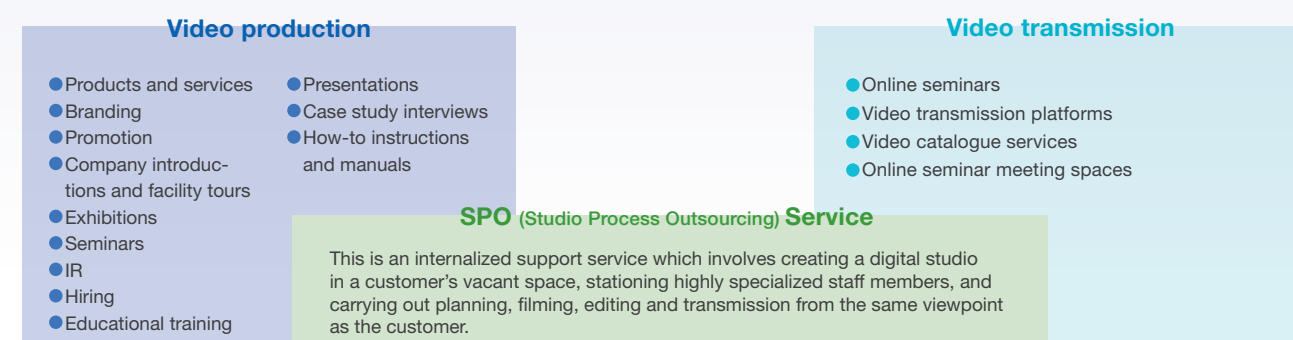
We solve the various managerial issues faced by companies through video (digitalization) and transmission (going online). Through the use of video and transmission, we support reductions to communication costs and improvements to productivity.

- We provide both production and distribution, breaking through industry conventions (outsourcing) by offering a one-stop service.
- We provide videos of uniform quality with short delivery times using our know-how backed by a track record of over 50,000 video productions.
- Based on the concept of "easy to understand," we create videos that are highly practical and accurately reflect the customer's issues.
- Videos are capable of conveying a large amount of information, and are optimal for improving complex operational processes.

Human Centrix
Chief Executive Officer
Kanji Nakamura



A service lineup for handling diverse needs



Services are being utilized for a variety of applications, such as for customers or for in-house use

Case studies of service introduction

Marubeni Real Estate Development Co., Ltd.
Administration Department

Hiring Representative



We were introduced to Human Centrix and received a proposal as we were in the middle of considering renewing our **video for company introduction sessions targeting new graduates** on the occasion of moving our headquarters in October 2022.

From the stage when I initially heard their presentation, I felt that they would be able to put together a video that would vividly capture our company's appeal and our workplace environment, and we decided to proactively consider their proposal.

Amid a tight schedule, the process from meeting to filming went smoothly, which resulting in the delivery of a stylish and impactful video that I was satisfied with.



HIROSHIMA GAS Co., Ltd.
General Manager of Sales Promotion Department



Tsuyoshi Miyamoto

For customers living in all-electrified housing, **a video was produced that advertises the benefits of city gas** in an aim to propose a switch to city gas.

At Human Centrix, everything from video planning to production is internalized, so they responded quickly, and the video was made just as we had envisioned in a short time frame.

Additionally, we sought to increase viewership by attaching a QR code* for the video to fliers left in customers' mailboxes, which I strongly feel has led to an increase in opportunities stemming from the video.



* QR Code is a registered trademark of DENSO WAVE INCORPORATED.

Sumitomo Forestry Co., Ltd.
General Manager of North America Business Department, Global Housing, Construction and Real Estate Division



Yujiro Yoshizawa

A subsidiary (SFC ASSET MANAGEMENT) under our department's jurisdiction received an internal company award, so I requested the production of a **business introduction video that would be screened at the award ceremony**.

During this special occasion attended by executives and employees of each Group company, I felt that we were able to promote the initiatives of

the subsidiary and our division to the attendees in a way that was incredibly easy to understand. By outsourcing the video production, I avoided burdening my subordinates with work outside of their specialized areas, and was able to make a high-quality video just like I had pictured, so I am satisfied.



Solving Customer Issues

From Executive Officers in Charge of Sales

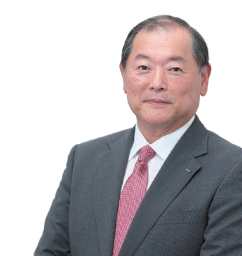
Managing Executive Officer in charge of Western Japan Area

Hitoshi Nitami

Our sales representative accurately assessed the environmental changes in Hiroshima Gas' sales promotions, and were able to bridge that assessment to a service proposal matched to their needs.

Every day, we roleplay in presentations that imagine interactions between young sales representatives and customers. We envision various scenarios and conduct research so that we can make the best proposals.

I will support the efforts of young employees so that they can improve themselves and become partners trusted by customers.



Managing Executive Officer in charge of Tokyo Metropolitan Area

Keiichi Kawabata

In response to the inquiry from the Sumitomo Forestry Group, our sales representative collaborated with Human Centrix and was able to propose an optimal service.

We aim to become a trusted partner by proposing optimal solutions while always addressing customers' concerns from their perspective. We will do our best to develop independent human resources who can envision scenarios on their own and help our customers to solve their problems.





Get to know stories of the Fuyo Lease Group's value creation from the perspective of society, customers and employees



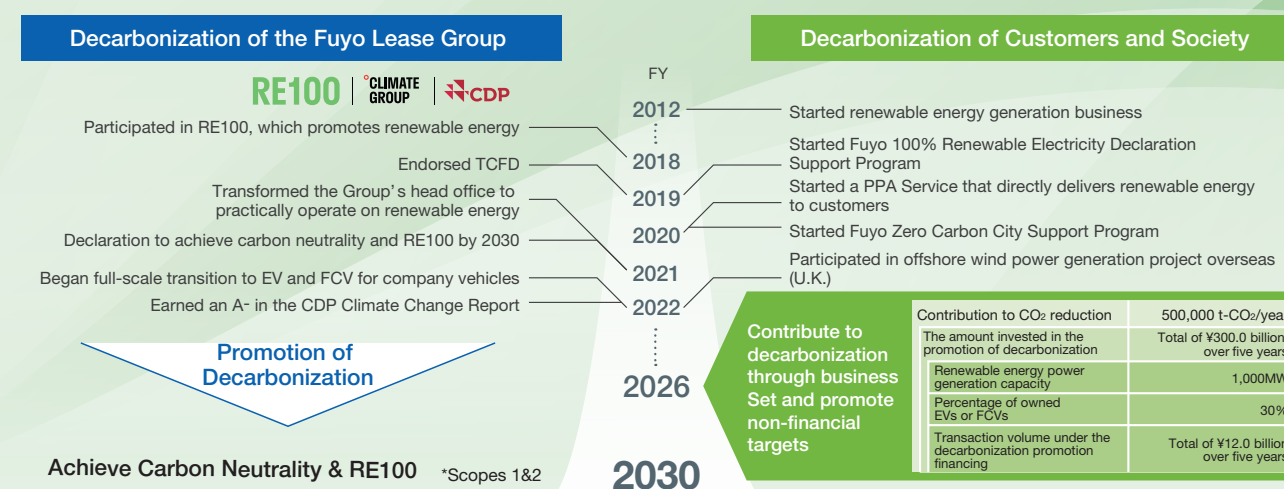
Towards the Realization of a Decarbonized Society

Realizing decarbonization of customers and society by providing various services to reduce CO₂ emissions

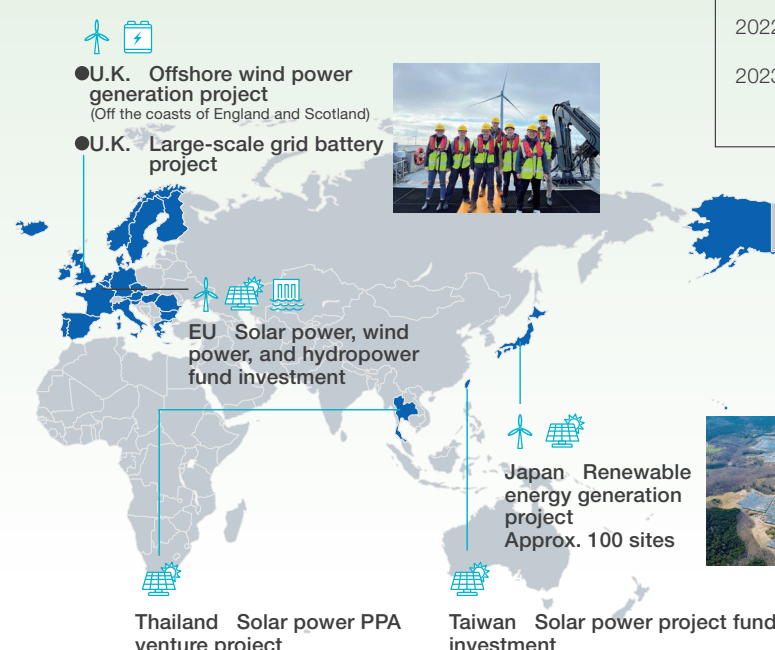
The Company has been promoting the reduction of CO₂ emissions by providing customers with services since establishing its first solar power plant and joining the renewable energy business in February 2013. In September 2018, we became the first general lease company in Japan to participate in RE100, and now aim to simultaneously achieve carbon neutrality for the Group and RE100 by 2030.

We will promote a decarbonized society through efforts for our Group and services for customers and society.

Roadmap to Decarbonization



Renewable Energy Projects on a Global Scale



- 2013 Began a domestic solar power generation project
- 2021 Participated in a U.S.-based solar power generation project
- 2022 Participated in a U.K.-based offshore wind power generation project
- 2023 Generation capacity of the renewable energy generation projects involving the Group surpasses 5000MW

Supporting Customers' Introduction of Renewable Energy

The Group works actively on a system called Power Purchase Agreement, or PPA, as a decisive resource to promote the introduction of renewable energy by customers. This is a system in which the Company owns and manages power generation equipment in spaces such as within grounds and on building rooftops, and provides the generated electricity to users of the facility's electricity for a fee.

Installed PPA on the rooftop of TEIKOKU SEN-I's Kanuma Plant

Fuyo Lease became involved with TEIKOKU SEN-I CO., Ltd. during the construction of the new building of Kanuma Plant by handling the installation of solar power generation equipment on the rooftop. The green power generated is utilized in the company's manufacturing processes, which contributes to the company's shift to renewable energy.



From Customers

TEIKOKU SEN-I CO., Ltd. Vice President

Tatsuru Okamura



As a company that conducts disaster prevention business, we view measures against greenhouse gas effects as a critical issue. We have set a goal of reduction CO₂ emissions by 30% by 2030 and are promoting a conversion to renewable energy. We were able to swiftly receive a proposal from Fuyo General Lease for solving our issues and requested a PPA scheme located on the rooftop attached to the newly constructed building of Kanuma Plant, which is our main factory. We were able to begin operation in July of this year and have also received proposals aimed at further decarbonization, for which we are incredibly grateful. Going forward as well, I hope they will enhance collaboration even further as a reputable business partner.



From Executive Officers in Charge of Sales

Fuyo General Lease Co., Ltd. Managing Executive Officer

Masaki Gonda

We helped with the PPA located on the rooftop of the Kanuma Plant as a solution for converting to renewable energy, which is a managerial issue faced by TEIKOKU SEN-I. The company has set even higher targets aimed at decarbonization, so we will continue to propose the most effective measures based on various scenarios and commit full effort in order to be of service. We constantly face challenges from the customer's perspective. We will devote full effort to developing employees who can swiftly provide complete proposals and contribute to customers' sustainable growth.



Supporting the Social Implementation of Advanced EV Technology through Investment in EV Motors Japan

In December 2022, we made an investment in EV Motors Japan Co., Ltd. which conducts development manufacturing and sales focused on EV for commercial use.

EV Motors Japan harnesses technology such as its in-house developed motor control system, which greatly reduces electricity consumption and battery deterioration, and the development of lightweight vehicles which solve the issue of cruising distance. Develops commercial EVs for mass production equipped with a world-class low electricity consumption rate, long battery lifespan, and safety features. Our investment is scheduled to be allocated to items such as funding for construction of mass assembly plants, and research and development required for the development of trial vehicles and demo vehicles in order to accurately address market demand.



EV Community Bus (Launched in spring 2021)

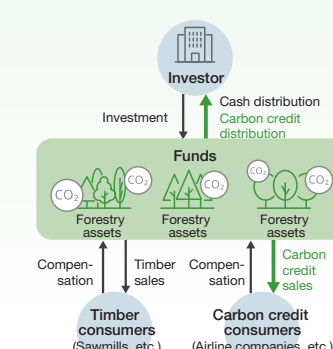


Creating a Carbon Credit through a Forestry Fund Investment

In July 2023, we made an investment as 1 of 10 Japanese companies in Eastwood Climate Smart Forestry Fund I, a forest fund of ¥60.0 billion total formed by Eastwood Forests, LLC, which is an American forestry asset management company under the Sumitomo Forestry Group.

In the U.S., where markets and systems are advancing ahead of other regions, we will contribute to the realization of a decarbonized society by creating high-quality carbon credits through appropriate forest management, and increase the value of forests as natural capital, which includes the maintenance of biodiversity and the preservation of water resources.

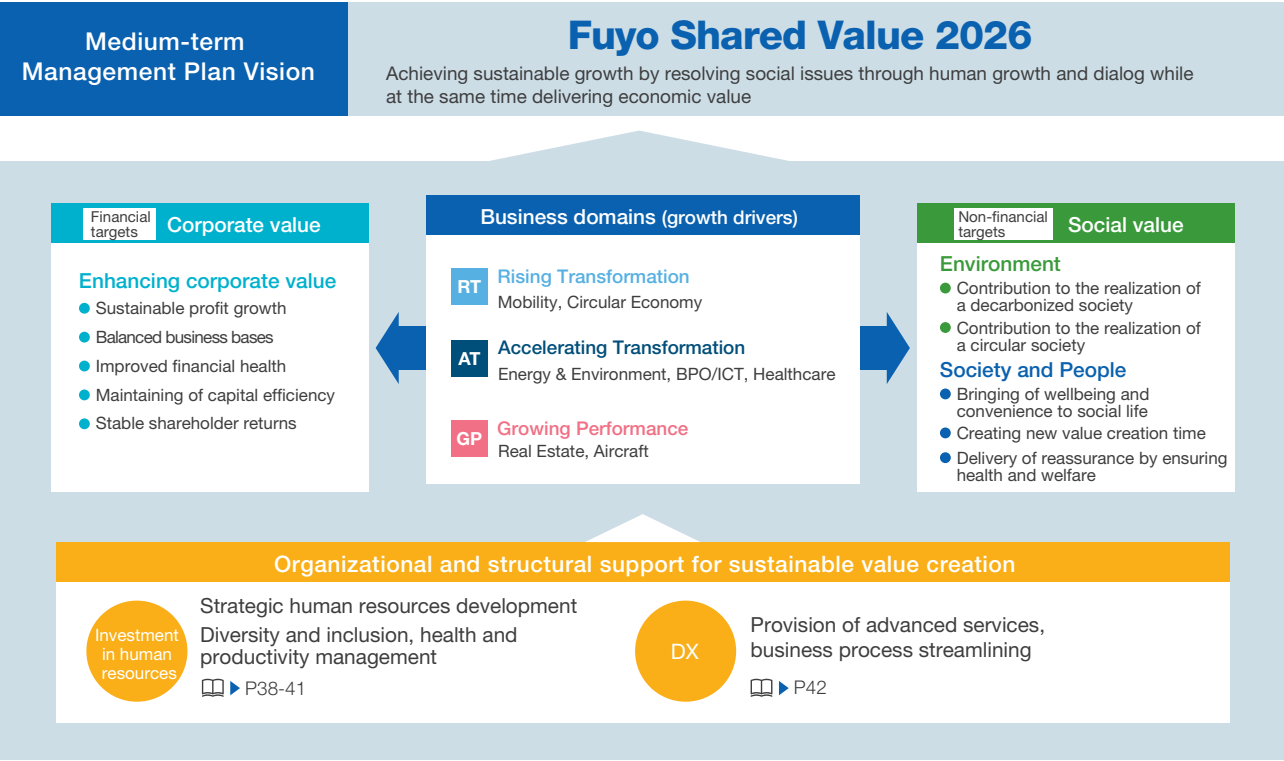
Structure of Forestry Fund



Medium-Term Management Plan Fuyo Shared Value 2026

The five-year Medium-Term Management Plan Fuyo Shared Value 2026 that started in fiscal 2022 is a management strategy to be realized through achieving sustainable growth by resolving social issues through human growth and dialog while at the same time delivering economic value with a basis on our core management principle of Creating Shared Value (CSV). The plan takes an approach that weighs financial (corporate value) and non-financial (social value) equally, flexibly allocates management resources in response to changes in society and aims to expand business, centered on seven business domains categorized into three growth drivers, as well as moves forward on establishing organizational and structural support for sustainable value creation. By executing this plan, we will take on the challenge of creating new value toward realizing a prosperous society and aim to be a corporate group that continues growing strong under a drastically changing external environment.

Overview of Fuyo Shared Value 2026



Progress on the Medium-Term Management Plan in FY2022

In fiscal 2022 we made progress on expanding business centered on the business domains positioned as growth drivers, achieved balanced profit growth and improved profitability with ordinary profit of ¥59.7 billion (up ¥7.0 billion year on year), which was a record high for the sixth consecutive year, and ROA of 2.27% (up 0.21 percentage points). Non-financial targets such as contributions to CO₂ reductions also made steady progress, making for a good start toward achieving the management targets by fiscal 2026, the final year of the medium-term management plan. In particular, in Energy & Environment, which has been positioned as a growth driver, we expanded our business in the

growing renewable energy market, centered on Europe and the U.S. and contributed toward realization of a decarbonized society through participation in one of the world's largest offshore wind power generation projects in the United Kingdom and the launch of commercial operations of a large-scale solar power station in the U.S. In BPO/ICT we have expanded our selection of solutions to support customers in achieving their business transformations and moved forward on broadening our business domains by making a consolidated subsidiary of Human Centrix Co., Ltd., which has strengths in commercial video production for BtoB companies.

Progress toward Achievement of Financial and Non-Financial Targets

Financial Targets			Non-financial targets (excerpts)			
Item	FY2022 Result	FY2026 Target	Materiality	Item	FY2022 Result	FY2026 Target
Ordinary profit	¥59.7 billion	¥75.0billion	Contribution to the realization of a decarbonized society	Contribution to CO ₂ volume reduction	220,000 t-CO ₂ /year	500,000 t-CO ₂ /year
ROA Ratio of ordinary profit to operating assets	2.27%	2.5%	Contribution to the realization of a circular society	Percentage of returned items that are reused or recycled	100%	100%
Shareholders' equity ratio	11.6%	13-15%	Creating new value creation time	Work hours saved by our customers	180,000 hours (compared to FY2021)	1 million hours (compared to FY2021)
ROE	11.1%	10% or more	Strategic human resources development	Human resources development-related expenses (non-consolidated)	188% (compared to FY2021)	300% (compared to FY2021)

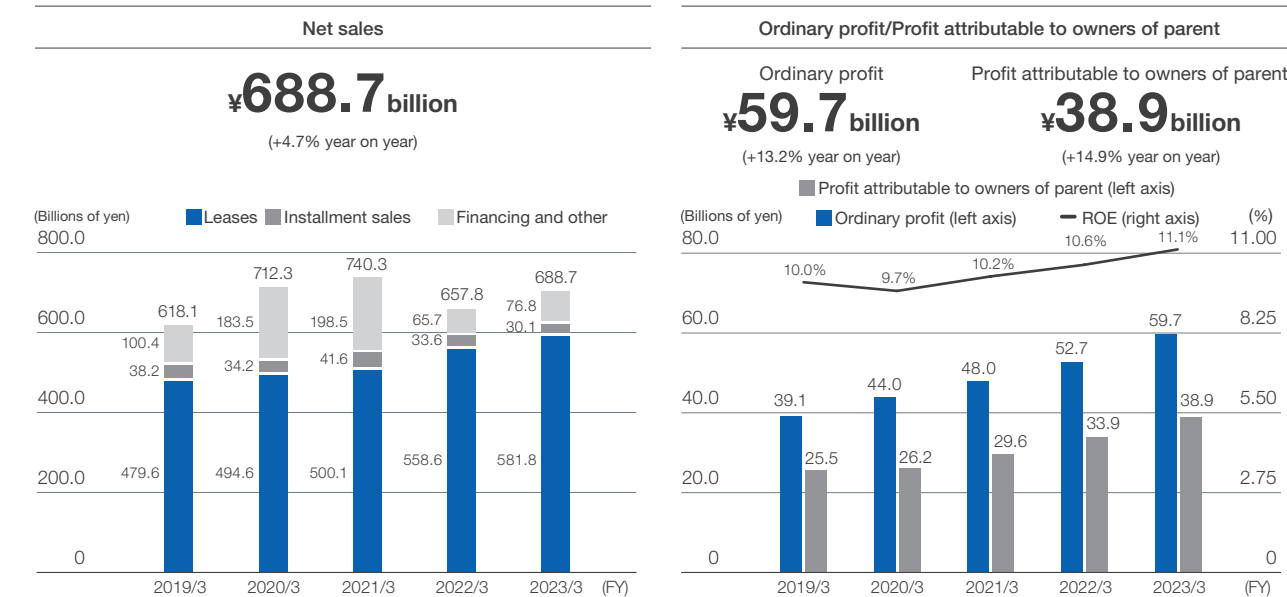
* For progress on all initiatives for non-financial targets, please refer to "Initiatives to Improve Social Value (Materiality)" on P25-26.

Business Domain (Growth Driver) Highlights

RT Rising Transformation		
Business domains	Enhancing corporate value	Creating social value
<div>Mobility</div> <div>P30</div>	<div>Circular Economy</div> <div>P28</div> <div>Mobility</div> <div>We achieved steady profit growth due to factors including surging prices for used cars accompanying a semiconductor shortage and precise response to changes in the market environment. Ordinary profit increased to ¥5.7 billion (up 73% year on year).</div>	<div>Circular Economy</div> <div>We launched Circular Economy Leases to contribute to realizing a circular society by prolonging product life and recycling.</div>
AT Accelerating Transformation		
Business domains	Enhancing corporate value	Creating social value
<div>Energy & Environment</div> <div>P27</div>	<div>BPO/ICT</div> <div>P29</div> <div>Healthcare</div> <div>P31</div> <div>Energy & Environment</div> <div>Ordinary profit increased to ¥2.0 billion (up 27% year on year) as we expanded the renewable energy business in such ways as taking part in one of the world's largest offshore wind power generation projects in the UK.</div> <div>BPO/ICT</div> <div>We made our IT operations outsourcing menu more sophisticated and strengthened our service provision structure through such ways as business collaboration with alliance partners.</div>	<div>Energy & Environment</div> <div>Our renewable energy power generation capacity, including overseas, was 515 MW (up 62% year on year), and we contributed to expanding renewable energy supply on a global basis.</div> <div>Healthcare</div> <div>We formed a region-specific healthcare fund to support medical and nursing care providers and supported construction of a stable healthcare foundation for communities.</div>
GP Growing Performance		
Business domains	Enhancing corporate value	Creating social value
<div>Real Estate</div> <div>P32</div>	<div>Aircraft</div> <div>P33</div> <div>Real Estate</div> <div>Through business management aware of risk returns we maintained profitability and accumulated assets, increasing ordinary profit to ¥22.2 billion (up 10% year on year).</div>	<div>Aircraft</div> <div>Formed the first Japan-style operating leases with sustainability linked loans (SLL) for airline companies, helping to promote decarbonization in the airline industry.</div>

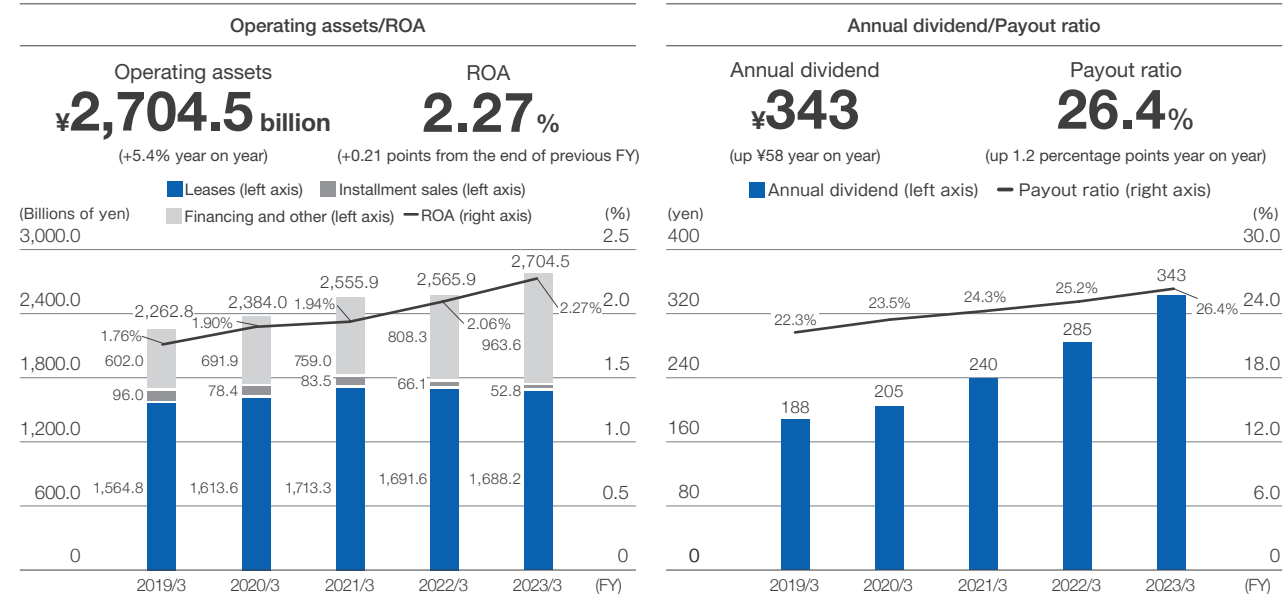
Financial and Non-Financial Highlights

Financial targets Corporate value



Net sales was ¥688.7 billion (up 4.7% year on year) as expansion of business domains moved forward, centered on Real Estate, Energy & Environment and BPO/ICT. Real estate leasing and overseas renewable energy initiatives contributed to this growth.

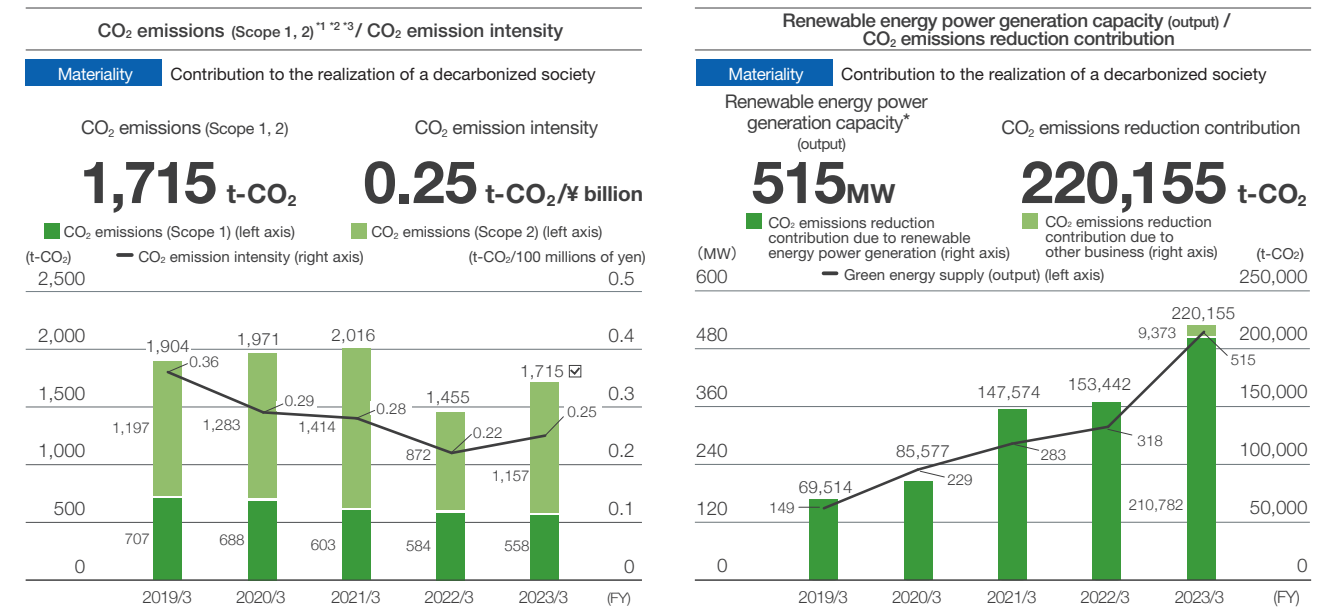
Ordinary profit was ¥59.7 billion (up 13.2% year on year) and profit attributable to owners of parent was ¥38.9 billion (up 14.9% year on year); a record high for the sixth consecutive year for ordinary profit, and an eighth consecutive year of record highs for profit attributable to owners of parent. In addition to the growth of net income in business domains positioned as growth drivers, a contribution also came from non-operating income items such as the share of profit of entities accounted for using equity method.



The balance of operating assets was ¥2,704.5 billion (up 5.4% year on year) as asset accumulation progressed, centered on Energy & Environment, Real Estate and Aircraft. ROA also continued to improve, reaching 2.27% (up 0.21 percentage points year on year) due to the accumulation of profitable assets.

The Fuyo Lease Group has a basic policy of working to distribute profits to shareholders by continuing to pay stable dividends over the long term. The annual dividend for fiscal 2022 was ¥343 (up ¥58 year on year). This continues the trend of dividend increases every year since the company went public in 2004. The payout ratio also increased, reaching 26.4% (up 1.2 percentage points year on year).

Non-financial targets Social value

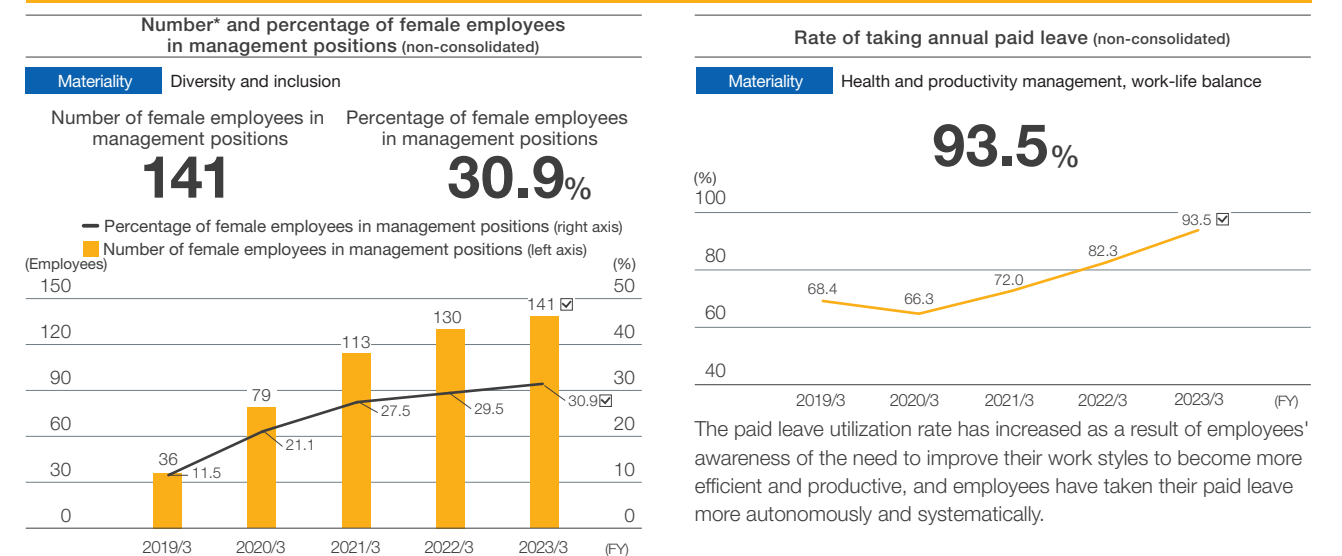


CO₂ emissions and CO₂ emission intensity increased in fiscal 2022 compared to the previous fiscal year due to the addition of Group companies. However, CO₂ emissions and CO₂ emission intensity are on a downward trend due to the sequential implementation of measures related to decarbonization, such as the use of renewable energies in tenanted offices and switching to use electric vehicles (EV) as company cars.

^{*1} Scope 1: Direct emissions from the use of fuel for company vehicles, natural gas, etc.
^{*2} Scope 2: Indirect emissions from the use of purchased electricity, etc.
^{*3} Covers Fuyo General Lease and consolidated subsidiaries (To see all companies covered, please refer to footnote 2 on p.43)

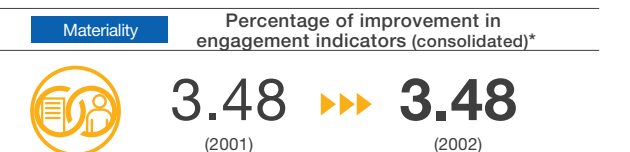
^{*} For calculation methods, please refer to ^{*1} and ^{*3} on p. 43.

Non-financial targets Organizational and structural support for sustainable value creation



In fiscal 2022, we provided women with opportunities to experience various role models in such ways as holding informal exchanges with the president and directors, D&I seminars held by women in executive management, and discussion meetings with senior employees as efforts to spark career improvement motivation and to foster corporate culture.

^{*} Regarding the result for fiscal 2019, we revised human resources systems in July 2019. This included reclassifying senior leaders (a position equivalent to the position of section chief) as managers. As a result, the number and percentage of female employees in management positions increased year on year.



^{*} For the definition of the percentage of improvement in engagement indicators, please refer to ^{*7} on p. 26.



Aiming for sustainable growth through business portfolio restructuring

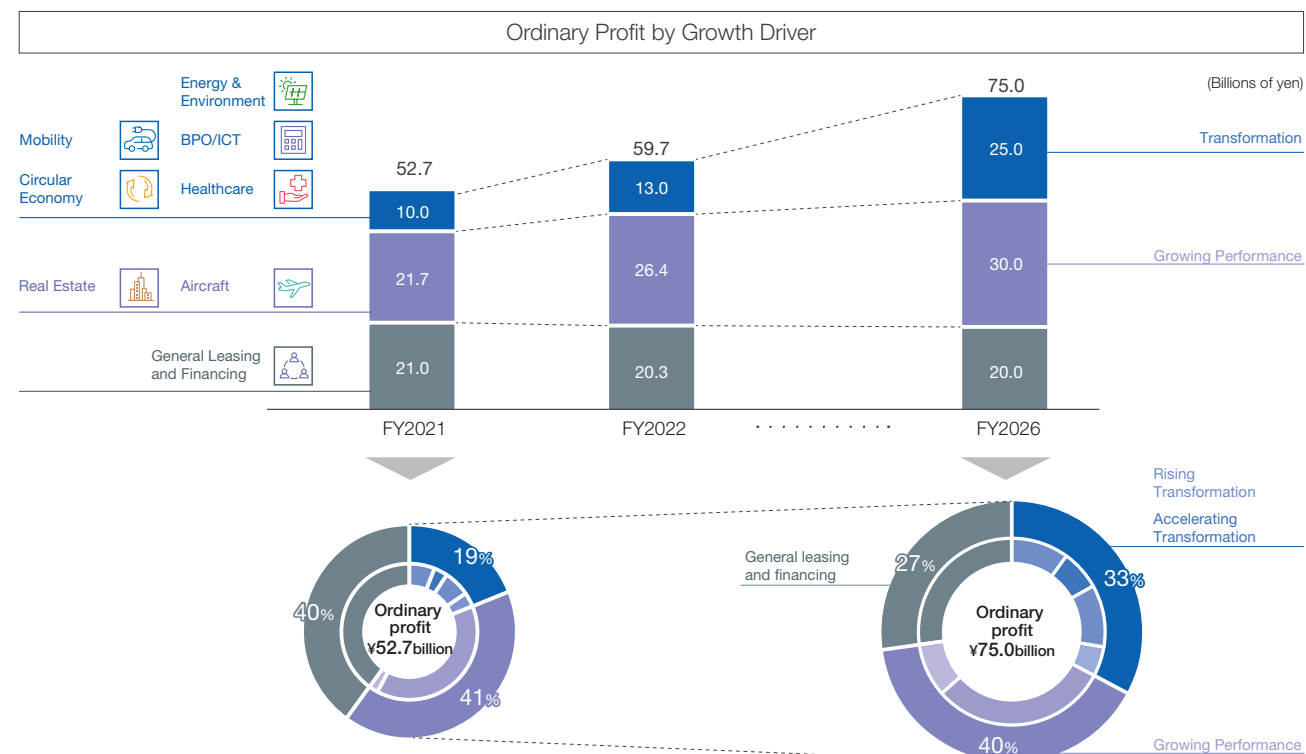
Senior Managing Director
Yusuke Kishida

Under Medium-Term Management Plan, Fuyo Shared Value 2026, started in fiscal 2022, we aim to drive further expansion and evolution in our business domains as we significantly restructure the Fuyo Lease Group's business portfolio by intensively allocating management resources to growth areas (Transformation Zone), where we identify and focus on changes in social structure and market trends. Through these activities, we are restructuring our business portfolio by shifting from a Mt. Fuji-like model comprising a "single tall mountain" – i.e., a single core business focused on traditional leasing from past years – to a mountain range-like model with "multiple peaks" – i.e., one that has multiple growth engines. We are determined to establish a business foundation that enables sustainable growth without being affected by changes in the external environment, while simultaneously solving social issues and increasing corporate value in the future.

(1) Business Portfolio Restructuring

Under the medium-term management plan, in Real Estate and Aircraft, which are defined as core areas (Growing Performance), we will aim for stable growth and strive to improve profitability even in a fiercely competitive environment by advancing further differentiation. Based on this foundation, in growth areas (Mobility, Energy & Environment, BPO/ICT, and Healthcare businesses), our basic strategy is to raise the weight of growth areas relative to the ordinary profit of the whole Group from 19% in fiscal 2021 to around 33% in the plan's final year. We have steadily bolstered the earnings base of growth areas through the clear-cut allocation of management resources in accordance with the medium-term management plan. As a result, a measure of success has begun

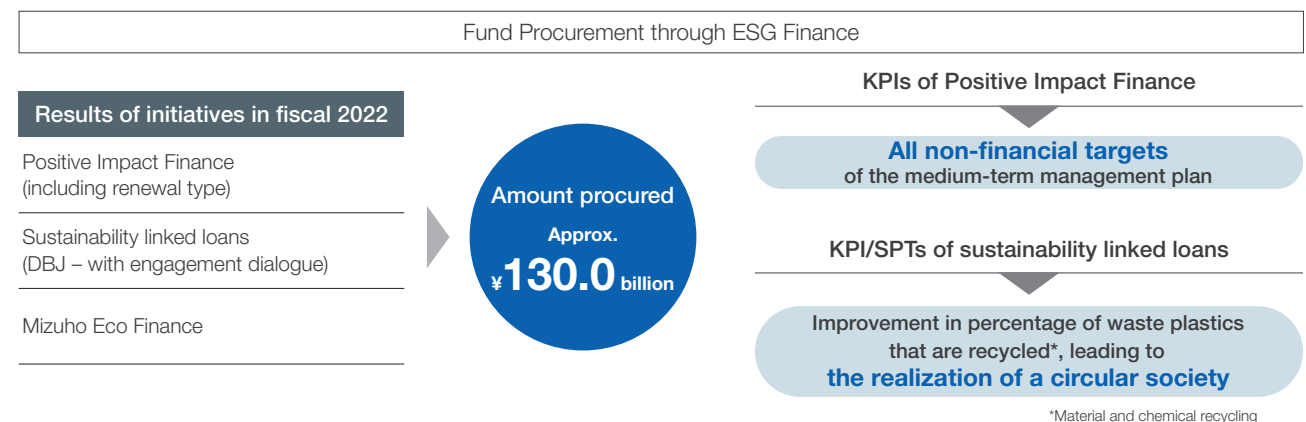
to show in our consolidated financial results for fiscal 2022. Additionally, in the process of advancing restructuring, we have further accelerated global business expansion initiatives, such as converting an independent North American operating lease company in the Mobility field into a consolidated subsidiary. In the Energy & Environment field, we also participated for the first time in an offshore wind power generation project in the U.K. and signed an agreement to invest in a European renewable energy business fund. These initiatives truly signify that we are making steady strides toward realizing our corporate slogan, "Go Where No One Has Gone Before," by taking on challenges to achieve business portfolio restructuring.



(2) Improving the Stability of the Fund Procurement Structure and Diversifying Procurement Methods Further

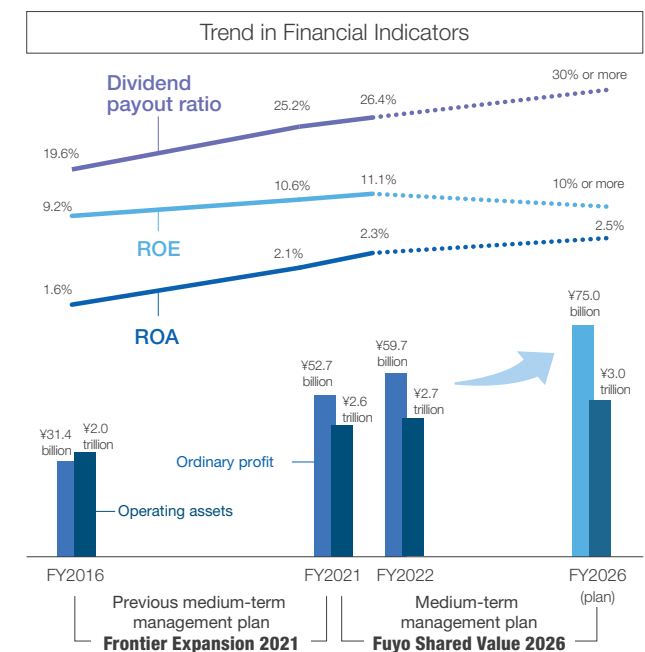
In our financial strategy, we are pushing ahead with efforts to diversify fund procurement methods in order to address each of our main priorities, which are as follows: increase the weight of long-term funding to stabilize fund procurement; strengthen our ability to procure foreign currency in response to an increase in foreign currency-denominated assets in each business field; and procure quasi-equity funds that help to improve our resistance against risks. We implemented three main initiatives in fiscal 2022. The first initiative was to substantially increase procurement through ESG finance by bringing the CSV approach into fund procurement activities. Specifically, we procured funds totaling approximately ¥130.0 billion through ESG finance in fiscal 2022, as a result of raising funds through methods implemented for the first time by a lease company. Examples of these methods include Positive Impact Finance through a syndication method covering all activities for achieving the non-financial targets established by the Group in its medium-term management plan and sustainability-linked loans with engagement dialogue with

financial institutions, which cover evaluations of the Group's sustainability strategy and other related activities, including circular economy leases. The second initiative saw us continue to actively procure funds using the Euro MTN foreign bond facility in response to an increase in foreign currency-denominated operating assets in each field, including growth areas that are positioned as a Transformation Zone. As for the third initiative, the Company issued hybrid securities (unsecured bond with subordination agreement) for the first time, with the aim of substantially enhancing shareholders' equity and resistance against risks without share dilution. Through these initiatives, we believe that we have increased our financial soundness, while augmenting the active allocation of management resources to growth areas. In addition, our issuer ratings/outlook by rating agencies have been improving due to positive evaluations of factors such as the growth of our business domains and improvement in our financial soundness, which we have promoted since the previous medium-term management plan.



(3) Progress on Management Targets and Shareholder Returns

The Group aims to simultaneously achieve the medium-term management plan's financial and non-financial targets through business portfolio restructuring. We made a steady start on most of the plan's targets in fiscal 2022, the plan's first year. In terms of financial targets, ordinary profit, ROA, and the shareholders' equity ratio all exceeded the plan. In addition, ROE increased 0.5 percentage point from the previous fiscal year to 11.6% as we worked to operate with a keen awareness of the cost of capital. Furthermore, we made considerable progress on our non-financial targets through initiatives to solve social issues, including realizing a decarbonized society and a circular society. Turning to shareholder returns, we will continue to strive for a dividend payout ratio of 30% or more, which is our target for the final year of the plan, by achieving sustainable earnings growth through steady implementation of the medium-term management plan overall.



Initiatives to Improve Social Value (Materiality)

Progress on important issues (materiality) to create social value through business under the Medium-Term Management Plan Fuyo Shared Value 2026 is as follows.



Environment

In fiscal 2022, we generally made steady progress in all items. In particular, the amount of financing handled for the promotion of decarbonization under Fuyo Zero Carbon City Support Program increased significantly due to widespread use among customers and there are now more than 300 companies or organizations using it. Regarding the percentage of EVs and FCVs, we are moving forward on building a collaborative structure with alliance partners for expansion of the EV market and plan to grow in the second half of the medium-term plan period.

Materiality	Non-Financial KPI	FY2022 Results	FY2026 Targets
Contribution to the realization of a decarbonized society	CO ₂ emissions reduction contribution	220,000 t-CO ₂ /year	500,000 t-CO ₂ /year
	Amount invested in promoting decarbonization*1	¥56.4 billion	5-year cumulative total ¥ 300.0 billion
	Renewable energy power generation capacity*2	515MW	1,000MW
	Percentage of Group vehicles that are EVs or FCVs(percentage held by Fuyo Auto Lease)	0.7%	30%
	Amount of financing handled for the promotion of decarbonization*3	¥5.3 billion	5-year cumulative total ¥ 12.0 billion
Contribution to the realization of a circular society	Percentage of returned items that are reused or recycled*4	100%	100%
	Percentage of materials/chemicals contained in waste plastics (from returned items) that are recycled*4	24.7% ☑	100%

*1 Applies to investments in renewable energy facilities, energy-saving facilities, electric vehicles (including charging equipment), batteries, hydrogen and ammonia-related facilities, CO2 separation and recovery technologies (CCUS, DAC), circular-related facilities, ZEB/Green buildings, SAF and start-up companies.
*2 Applies to investments and project financing, etc., made in the Renewable Energy Generation Business (power generation capacity is calculated based on ownership ratio or share)
*3 Covers the Fuyo Zero Carbon City Support Program and the Fuyo 100% Renewable Electricity Declaration Support Program
*4 Applies to leased (rental) assets returned to the Hachioji Technical Center of FGL Circular Network Co., Ltd.

Society and People



In fiscal 2022, we made steady progress in both the number of new rooms at elderly care facilities and work hours saved by our customers. Management support-related financing in medical and welfare markets saw users fall short of target due to factors including augmented public support against the backdrop of the COVID-19 pandemic.

Materiality	Non-Financial KPI	FY2022 Results	FY2026 Targets
Delivery of reassurance by ensuring health and welfare	Number of new rooms provided at elderly care homes	553 rooms	5-year cumulative total 1,330rooms
	Management support-related financing in medical and welfare markets*5	¥ 21.7 billion	¥ 56.0 billion
Creating new value creation time	Work hours saved by our customers	180,000 hours	1 million hours compared to FY2021

*5 The balance of operating assets for financing related to FPS Medical (factoring for medical and nursing care receivables by Accretive) and business succession.

Organizational and structural support for sustainable value creation



In fiscal 2022, each item made steady progress.

Materiality	Non-Financial KPI	FY2022 Results	FY2026 Targets
Human resource development-related expenses	Human resource development-related expenses (non-consolidated)	188%	300% compared to FY2021
Diversity and inclusion	Percentage of female employees in management positions (non-consolidated)	30.9%	35%
	Percentage of eligible male employees who have taken childcare leave*6 (non-consolidated)	100%	100%
Health and productivity management, work-life balance	Percentage of employees aged 35 or over who have had a health examination (non-consolidated)	100%	100%
	Rate of taking paid leave (non-consolidated)	93.5%	90%
	Rate of taking the +Friday system (non-consolidated)	89%	No quantitative target
	Percentage of improvement in engagement indicators*7 (consolidated)	3.48	No quantitative target


*6 Childcare leave taken percentage is calculated as the ratio of the number of employees who took childcare leave during the relevant fiscal year to the number of employees eligible for childcare leave during the relevant fiscal year (number of people who had a child within the fiscal year).
*7 In the employee opinion survey, eight questions (five-point assessment scale) that represent engagement as defined by the Fuyo Lease Group (a relationship in which each employee links the Company's growth to their own growth and they contribute to each other's growth), and the average response value was measured."

Value creation through partnerships



In fiscal 2022, in the EV domain, we concluded a capital and business agreement with EV Motors Japan Co., Ltd., a Japanese commercial EV startup, and began to collaborate.

Materiality	Non-Financial KPI	FY2022 Results
Value creation through partnerships	Investment in venture companies that have technologies and services that will create new social value	Investment Record ● JSH Co., Ltd. ● EV Motors Japan Co., Ltd. ● Japan Wind Tunnel Manufacturing Inc. ● H.I.F. Co., Ltd.




Energy & Environment

AT

Accelerating Transformation
Accelerated growth enabled by capturing market trends

Managing Executive Officer

Miki Sasaki



Main Services

- Investment and finance in energy businesses
- Green electricity supply (PPA) services
- Energy-saving equipment / subsidy leases
- ESCO business
- Storage battery business

Fuyo Lease Group's Strengths

- Extensive experience in power generation businesses that can be utilized in areas such as business investment and project finance, following entry in the solar power generation business in 2012
- Cooperative framework covering a diverse array of alliance partners in the PPA business, energy conservation, and energy storage fields, which supports the decarbonization efforts of customers

Plans under Fuyo Shared Value 2026

1

Aim to invest a cumulative total of ¥300.0 billion over the 5 years through fiscal 2026 to promote decarbonization

2

Increase the supply of renewable energy, targeting 1,000 MW of renewable energy power generation capacity

3

Take on the challenge of developing new businesses that will emerge and grow as a result of structural transformation in the energy industry, such as the grid storage battery business

Vision for 2030

7

RENEWABLE ENERGY

13

NET ZERO

- Serve as a global company that helps give rise to a decarbonized society by engaging in a broad range of energy-related businesses on a large scale in Japan and overseas
- Serve as a frontrunner that contributes to resolving climate change and other environmental issues in breaking ground in the new Energy & Environment business domain

FY2022 in Review

Main Accomplishments

The Fuyo Lease Group made progress on increasing its overseas operating assets. This growth in overseas operating assets was supported by participation in two offshore wind power generation projects in Europe, specifically the Beatrice Offshore Windfarm (total generation capacity of 588 MW) off the coast of Scotland, and the Hornsea One Offshore Wind Power Plant (total generation capacity of 1,218 MW) off the coast of England. In the U.S., we started commercial operation of Cutlass Solar (total generation capacity of 140 MW), which is a solar power generation project in Texas operated as a joint project with ENEOS Corporation and Advanced Power AG. In Japan, the Samegawa Aono Solar Power Plant (total generation capacity of 40 MW) started commercial operation in Fukushima Prefecture.

Ordinary Profit and ROA in the Energy & Environment Domain

■ Ordinary profit (Billions of yen) — ROA (%)

1.8%1.9%2.0%


1.62.05.0

2022/32023/32027/3 (FY (planned))

TOPICS


Participation in One of the World's Largest Offshore Wind Power Generation Projects in the U.K.

We participated in the Hornsea 1 offshore wind farm, which is located approximately 120 km off the east coast of England and has a total generation capacity of 1,218 MW. Participation in such projects will enable us to drive the expansion of our renewable energy business by gaining knowledge of the most recent industry trends and obtaining expertise.



Issues Ahead and Response Measures

Issues Ahead	Response Measures
Strengthen our operating base to promote global business expansion	Strengthen collaboration with overseas sites and increase alliance partner companies
Develop skilled professionals with insights into the energy & environment industry and overseas fields	Dispatch personnel to partner companies and develop human resources through education and training programs



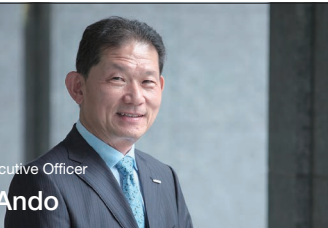
Circular Economy

RT

Rising Transformation
Strategic growth enabled by capturing tectonic social changes

Managing Executive Officer

Hiroaki Ando



Main Services

- Circular Economy Lease (CE Lease)
- Used asset buying service
- Used PC buying service

Fuyo Lease Group's Strengths

- Expertise and knowledge concerning the reuse and recycling of tangible property, obtained from handling a massive amount of lease assets (equipment) over many years
- Possesses infrastructure and networks that connect the value chains of the manufacturing sector (forward logistics) and the reuse and recycling sector (reverse logistics)
- Insights into global trends in the circular economy market through CE initiatives such as the Ellen MacArthur Foundation.

Plans under Fuyo Shared Value 2026

1

Expand sales of CE Lease as a core product that allows customers to easily take part in resource circulation by broadening the range of eligible equipment and improving resource circulation capabilities.

2

Achieve a 100% recycling rate of waste plastics (excluding thermal recycling) and create new value using such expertise and knowledge

3

Aim to be a Circular Economy Platformer by transforming the CE infrastructure and network developed through the leasing business into an ecosystem

Vision for 2030

12

RENEWABLE ENERGY

CO2

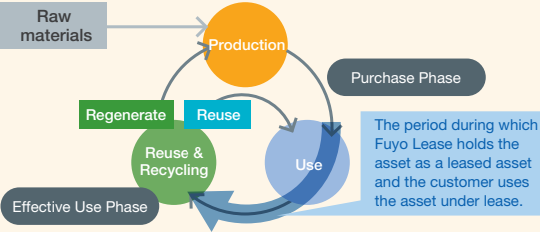
- Serve as a Circular Economy infrastructure company that transcends the leasing business
Become a Circular Economy Platformer
- Contribute to achievement of Japan as a recycling-oriented nation through our Circular Economy business
CE Lease will contribute to the circulation of resources in Japan
Promoting the circulation of resources simultaneously generates satisfactory economic benefits

FY2022 in Review

Main Accomplishments

The Fuyo Lease Group launched Circular Economy (CE) Lease as a new service. With CE Lease, we seek to achieve extended product life and better resource recycling by steadily reusing and recycling lease assets. Customers can contribute to the circular economy through this product. In addition, we are donating a certain percentage of the proceeds from our lease transactions to organizations that promote the circular economy in order to support their activities.

Conceptual Diagram of Circular Economy Lease



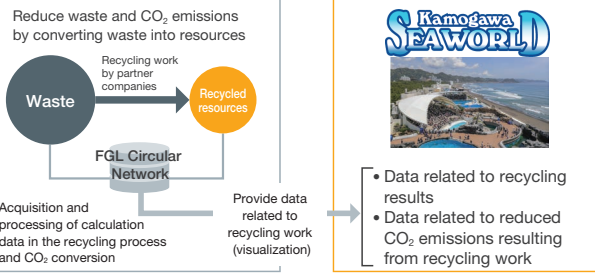
The period during which Fuyo Lease holds the asset as a leased asset and the customer uses the asset under lease.

We aim to improve the percentage of materials/chemicals contained in waste plastics (from returned PCs) that are recycled, without relying on incineration. In fiscal 2022, we raised this percentage to 24.7% by dismantling and disassembling ITC equipment returned to Hachioji Technical Center into individual component materials and transferring the items to resource recycling operators.

TOPICS

The Fuyo Lease Group provided waste recycling services to Kamogawa Sea World. Fish entrails generated in the process of producing feed are recycled as fish feed such as fishmeal and fish oil in cooperation with resource recycling operators.

How the Waste Recycling Service Works (Conceptual Diagram)



Issues Ahead and Response Measures

Issues Ahead	Response Measures
Expand the coverage of CE Lease	Increase the scope of eligible properties such as equipment and devices for which resource circulation is assured.
Reduce costs further in the recycling process	Revise work flows and rigorously pursue efficiency
Improve the waste plastic recycling rate	Establish ties with multiple recycling companies capable of taking in mixed plastics

27

Fuyo Lease Group Integrated Report 2023 28

BPO/ICT

AT

Accelerating Transformation
Accelerated growth enabled by capturing market trends

Managing Executive Officer
Hiroaki Ando

Main Services	Fuyo Lease Group's Strengths
<ul style="list-style-type: none"> Business process consulting Comprehensive BPO services Integrated billing services (telecommunications and public utility bills) Video production and distribution services PC-LCM services ICT outsourcing 	<ul style="list-style-type: none"> Provides total solutions based on consulting with a vast array of BPO services tailored to a variety of needs Provides a unique service menu, including integrated billing for telecommunications and public utility bills, and commercial video production and distribution targeting corporate presentation needs Provides a well-developed service menu to address various outsourcing needs, with ownership of approximately 1.90 million PCs Group-wide.

Plans under Fuyo Shared Value 2026

- 1 Successfully reduce the workload of customers (save customers 1 million work hours compared to fiscal 2021) by providing BPO services and facilitating DX, thereby increasing productivity
- 2 Establish a framework to provide Business Process Service (BPS) by strengthening links between BPO and DX-related consulting and various BPO services
- 3 Support customers' workstyle reforms by releasing valuable corporate IT professionals from non-core operations and putting them in high-value-added work through IT system operations outsourcing and facilitating DX.

Vision for 2030

- Become a leading company that provides the Business Process Service (BPS), a total solution utilizing outsourcing and DX of processes
- Serve as the most trusted company in solving the problem of shortages of IT professionals



FY2022 in Review

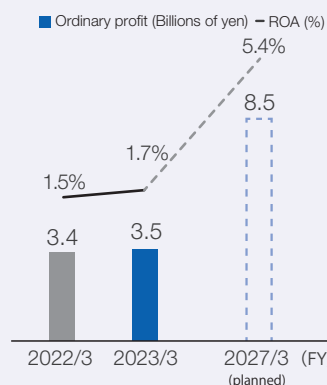
Main Accomplishments

In the BPO field, in addition to making Human Centrix, a business-use video production and distribution company, and eXtreak inc., a telecommunications line construction company, consolidated subsidiaries, we strengthened our capabilities through collaboration with partner companies that provide highly specialized services. We also made progress on measures to establish new businesses using AI in collaboration with alliance partners.

In the ICT field, we steadily accumulated collaboration projects leveraging synergies with WorkVision Corporation. The number of units handled in the PC-LCM service has been increasing and is expected to grow further, against the backdrop of factors such as expanding outsourcing needs in the information system sector. As a result of advancing these efforts to improve profitability, ordinary profit for fiscal 2022 increased to ¥3.5 billion.

Ordinary Profit and ROA in the BPO/ICT Business

ROA is based on results in the ICT business.



TOPICS

Concluded a Business Alliance Agreement with AKARI Inc., a Startup Originating from the University of Tokyo

We will work to improve processing speed, augment the accuracy of processing capacity, and expand the contracted services domain by combining our BPO services and AKARI's AI solutions. We will support the streamlining of corporate business operations through new joint businesses that utilize algorithms and AI technologies, including the use of large-scale language models (LLMs) such as ChatGPT.



Issues Ahead and Response Measures

Issues Ahead	Response Measures
Scale up services to meet the growing demand for BPO	Streamline the contracted services framework for BPO services through internal DX
Pursue progressive service development in response to advancing DX needs	Propose new ways to streamline operations through the use of AI and data
Enhance the service menu so that it can address diverse customer needs	Select and collaborate with partner companies and establish high-quality service frameworks

Mobility

RT

Rising Transformation
Strategic growth enabled by capturing tectonic social changes

Managing Executive Officer
Atsushi Mizuguchi

Main Services	Fuyo Lease Group's Strengths
Vehicles area <ul style="list-style-type: none"> Auto leases One-stop EV services Self-driving vehicle services Logistics area <ul style="list-style-type: none"> Logistics and material handling equipment financing services Management support solutions for transportation companies 	<ul style="list-style-type: none"> Possesses a framework that can provide financing and related services for a broad range of vehicles from passenger cars to trucks, along with Group companies Fuyo Auto Lease Co., Ltd. and YAMATO LEASE CO., LTD. Expanding to new domains such as EVs for commercial use, automotive batteries, and self-driving vehicles, through collaboration with partner companies including EV Motors Japan Co., Ltd. Conducting business globally together with overseas Group companies centered on Pacific Rim Capital, Inc., which became a consolidated subsidiary

Plans under Fuyo Shared Value 2026

- 1 Aim to increase the percentage of EVs or FCVs held by Fuyo Auto Lease to 30% through the provision of one-stop EV services and other means
- 2 Promote total support for the logistics industry, which faces issues such as the 2024 problem, personnel shortages, and cost increases, in collaboration with partner companies such as the Yamato Group and IGUAZU Corporation

Vision for 2030

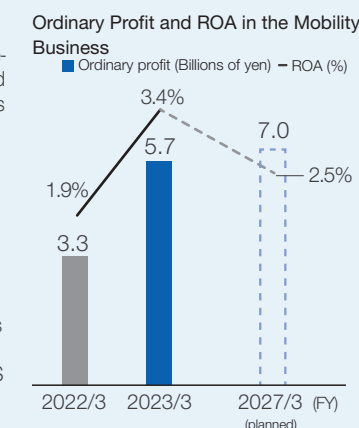
- A company that solves decarbonization and other social issues through social application of various technological innovations in the general vehicles area
- A solution provider that works to solve issues such as workstyle reforms together with Group companies and partner companies in Japan and overseas in the logistics area



FY2022 in Review

Main Accomplishments

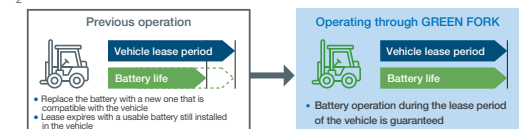
Ordinary profit increased substantially to ¥5.7 billion, reflecting contributions from increased gain on sales of used cars due to a favorable used car market and the share of profit of entities accounted for using the equity method associated with overseas Group companies. In the general vehicles area, we concluded a capital and business agreement with EV Motors Japan, a company specialized in the development and manufacture of electric vehicles for commercial use. With this agreement, we created new business opportunities that leverage EV Motors Japan's expertise in EVs for commercial use and batteries, and we secured competitive advantages in the field of EVs for commercial use. In the logistics area, we brought the GREEN FORK service (see the TOPICS section) to market.



TOPICS

Bringing GREEN FORK Forklift Lease to Market

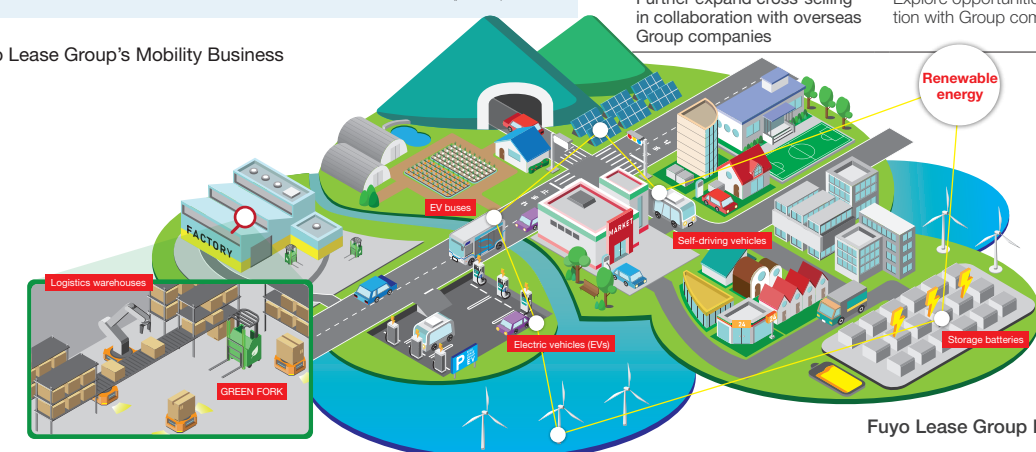
We started providing a forklift lease with guaranteed lead-acid battery operation during the lease period. Through the use of a reusable battery, the service contributes to the reduction of operating costs through the stable operation of forklifts, as well as the reduction of environmental impacts such as CO₂ emissions and hazardous waste.



Issues Ahead and Response Measures

Issues Ahead	Response Measures
Improve the percentage of EVs or FCVs (0.7% as of the end of FY2022)	Strengthen sales centered on one-stop EV services
Loss of earnings opportunities due to external factors such as supply shortages of new vehicles	Reduce the impact of the supply shortages of new vehicles by simultaneously implementing leasebacks and used vehicle sales
Further expand cross-selling in collaboration with overseas Group companies	Explore opportunities for synergistic collaboration with Group companies in the logistics area

Fuyo Lease Group's Mobility Business





Healthcare

AT

Accelerating Transformation
Accelerated growth enabled by capturing market trends



Managing Executive Officer
Atsushi Mizuguchi

Main Services

- Medical and nursing care equipment and facility leases
- ESCO and energy services business for medical institutions
- Operational consulting and BPO for hospitals and nursing care facilities
- Factoring of medical, nursing care, and dispensing pharmacy receivables
- Business succession financing
- Purchase and disposal of used medical equipment

Fuyo Lease Group's Strengths

- Possesses an expansive service menu encompassing various leases covering medical and nursing care equipment and large-scale nursing care facilities as well as business succession and turnaround financing
- Provides BPO services that contribute to the more efficient management of medical and nursing care businesses and ESCO and energy services that raise the energy efficiency of facilities
- Purchase and dispose of medical equipment from a wide range of medical institutions spanning clinics to large hospitals, thereby contributing to the circular economy

Plans under Fuyo Shared Value 2026

- Support the creation of 1,330 new rooms at nursing care facilities for the elderly over a 5-year period in collaboration with alliance partners, in anticipation of the super-aging of society
- Implement digital transformation (DX) in medical and nursing care by providing solutions in collaboration with Group companies and alliance partners to address management issues for each development stage of medical and nursing care businesses
- Provide a wide range of information and products useful to solving management issues faced by medical businesses through a Group-wide website

Vision for 2030

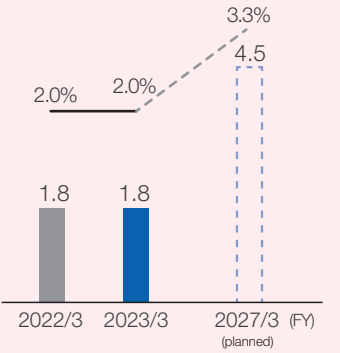
- A company that contributes to improvement in the quality of medical and nursing care in Japan by helping to maximize the value of management resources (people, tangible assets, funds, time, information) held by medical and nursing care providers and dispensing pharmacies
- A company that realizes both the solution of medical and nursing care issues (non-financial value) and profit growth that capitalizes on market trends (financial value) at a high level

FY2022 in Review

Main Accomplishments

Against the backdrop of a challenging environment for medical and nursing care providers and dispensing pharmacies due to measures to address COVID-19, we maintained ordinary profit at the same level as in the previous fiscal year owing to continued efforts to promote the Fuyo Lease Platform Concept to solve the issues faced by these businesses with one-stop solutions. Despite rising construction costs, we provided 553 new rooms by addressing the growing social need for new nursing care facilities for the elderly through real estate leases for nursing care facilities. Furthermore, together with The 77 Bank, Ltd. and Nihon Keiei Group, we reached agreement on arranging Japan's first Region-Specific Healthcare Fund, which will provide various means of financial support to address management issues faced by medical and nursing care providers in the Tohoku region. We saw steady growth in orders received for billing management BPO services for home healthcare and nursing care providers, operational consulting for large hospitals and removal of leftover materials from closed hospitals.

Ordinary Profit and ROA in the Healthcare Business





Fiscal Year	Ordinary profit (Billions of yen)	ROA (%)
2022/3	1.8	2.0%
2023/3	1.8	2.0%
2027/3 (FY planned)	4.5	3.3%

TOPICS

Contributing to Disaster Recovery through the Removal of Leftover Materials at JA Fukushima Kouseiren Futaba Kosei Hospital

We helped the town of Futaba in Fukushima Prefecture to recover by properly sorting and disposing of all leftover materials (medical equipment, medicines and chemicals, infectious substances, furniture, fixtures, implements, and documents, etc.), which were long untouched at a hospital within the government-designated difficult-to-return zone due to the impact of the accident at the Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company Holdings, Incorporated (TEPCO).

Issues Ahead and Response Measures

Issues Ahead	Response Measures
Respond to the financing needs of medical professionals following the end of financial support policies related to COVID-19	Provide a diverse array of financial services to support the needs of medical businesses
Address the permanent shortage of personnel faced by home healthcare and nursing care providers	Raise efficiency by bolstering personnel and advancing DX in nursing care BPO services
Address the energy-saving needs of hospitals in response to soaring energy costs	Strengthen sales activities for services such as energy-saving facility leases for businesses

About Us

Top Message


Shared Value Story

Strategy & Action

Management

Corporate Governance


Financial Section & Corporate Date



Real Estate

GP

Growing Performance
Stable growth in core areas



Managing Executive Officer
Hidesumi Okubo

Main Services

- Real estate finance lease
- Real estate operating lease
- Real estate non-recourse loan
- Real estate equity investment
- Private REIT investment

Fuyo Lease Group's Strengths

- Possesses trusted relationships and information pipelines developed through the accumulation of genuine and timely responses to sophisticated project consulting from the customer's viewpoint
- Advanced operational skills and expertise in real estate leasing and finance built up by engaging in highly difficult projects head on over many years
- Active in a vast array of business domains with highly specialized individuals at the industry's top level, obtained by expanding new areas and developing new schemes, with aspirations to attain differentiation and pioneer a blue ocean

Plans under Fuyo Shared Value 2026

- Promote priorities such as developing new products and services by conducting extensive collaboration with customer divisions and other dedicated divisions, with the goals of expanding business domains and developing new schemes
- Expand collaboration with partner companies through sales activities based on solution proposals, with a particular emphasis on promoting community contribution through partnerships with regional financial institutions and regional infrastructure companies
- Contribute to realizing a prosperous society by implementing CSV through such means as environmentally friendly real estate aimed at realizing a decarbonized society

Vision for 2030

- Realize stronger profitability and stable profit growth by differentiating and raising the sophistication of the real estate lease and finance business
- Achieve growth in the customer base by providing strategic solutions to social issues such as decarbonization and Corporate Real Estate (CRE) needs*

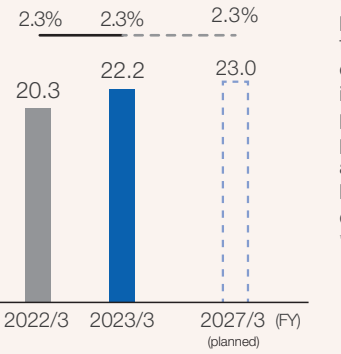
* Corporate Real Estate (CRE) needs: needs and issues related to corporate value-enhancing strategies that effectively use the customer's real estate, such as finding effective uses for idle land and turning assets into off-balance sheet items through sales and leasebacks.

FY2022 in Review

Main Accomplishments

In fiscal 2022, amid a highly uncertain outlook for the real estate market due to factors such as the monetary policies of the central banks of Japan and the U.S., market conditions for office buildings, and business cycles and inflation trends in Japan and abroad, we moved forward with efforts focused on high quality projects through such means as providing strategic solutions including CRE proposals utilizing Net Zero Energy House (ZEH) and strengthening collaboration with partner companies. As a result, the operating asset balance and ordinary profit both increased by 10%, even as ROA was maintained at the same level. In addition, we made every effort to realize a prosperous society by implementing CSV through 10 projects to contribute to realizing a decarbonized society (acquisition of environmental certifications and ZEH), 1 project to contribute to the enrichment and convenience of daily life in society (PPP*) and 6 projects to contribute to peace of mind in health and welfare (real estate leasing in the healthcare domain).

Ordinary Profit and ROA in the Real Estate Business




Fiscal Year	Ordinary profit (Billions of yen)	ROA (%)
2022/3	20.3	2.3%
2023/3	22.2	2.3%
2027/3 (FY planned)	23.0	2.3%

TOPICS

Participation in Kobe City Hall Building No.2 Redevelopment Project

The city of Kobe selected a consortium of eight companies, including Fuyo General Lease Co., Ltd., as development contractors for this project through a public call for proposals. This redevelopment will re-establish city hall functions, as well as contribute to the creation of local community vitality.

This rendering is a conceptual image provided as part of a proposal in April 2022, and it is subject to change in the future.




Issues Ahead and Response Measures

Issues Ahead	Response Measures
Respond in light of trends in the highly uncertain real estate market	Continuously monitor market conditions and implement timely and appropriate responses
Respond following revisions to lease accounting standards	Accurately grasp customer issues and needs associated with revisions to the standards and propose and provide services and solutions that meet those needs
Fulfill responsibilities to property owners	Prevent unforeseen situations by raising the sophistication of property management, through such means as commissioning independent professional surveys of factors such as building deterioration and the status of legal compliance and interviewing property management companies and tenants about the state of management.

31

Fuyo Lease Group Integrated Report 2023

32




Aircraft

GP

Growing Performance
Stable growth in core areas

Managing Executive Officer

Yukihiro Sawada



Main Services	Fuyo Lease Group's Strengths
<ul style="list-style-type: none">Aircraft operating leases/financingJapanese Operating Lease with Call Option* (JOLCO)Japanese Operating Lease (JOL)Aircraft fleet management and resaleBusiness investment (investment in peripheral businesses)	<ul style="list-style-type: none">Established an extensive track record through arrangement of more than 300 leases for airlines around the world since the launch of our aircraft business in the early days of the aircraft leasing industryPossesses aircraft operating lease arrangement and solutions delivery capabilities, developed through hands-on business experienceEmbraces a culture that encourages members to confront customer management issues and societal challenges, as well as actively participate in new domains, while keeping aircraft operating leases as a base

* Fuyo General Lease Co. Ltd. arranges JOLCOs as a business activity, thereby providing its investor clients with the option to invest their funds in such aircraft leases.

Plans under Fuyo Shared Value 2026

1

Advance an asset turnover-type business that maintains the soundness of self-owned assets by realizing a balance between stable recurring revenue and non-recurring revenue from asset sales

2

Strive to further strengthen sales capabilities to investors through efforts to develop and sell new operating lease products, in addition to JOLCO and JOL

3

Strengthen engagement in peripheral fields and new areas, such as aircraft part-out and freighter conversion in accordance with the aircraft lifecycle

Vision for 2030

Create synergies by expanding our product lineup through alliances in peripheral aircraft businesses, while keeping aircraft operating leases as the core of our business

Contribute to the development of the aviation industry and the establishment of global transportation and logistics infrastructure, while helping to solve social issues, through new aircraft fields (such as sustainable aviation fuels (SAF) and air mobility)

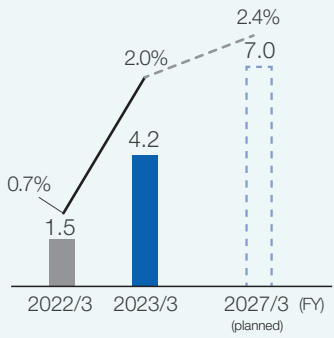
FY2022 in Review

Main Accomplishments

In fiscal 2022, we purchased 5 new aircraft and sold 1 aircraft as part of our asset turnover-type business. As a result, we currently possess 49 aircraft. In addition, the establishment of our first staffed site in the U.S. contributed to an increase in orders from U.S. airlines. Consequently, ordinary profit increased significantly from ¥1.5 billion in fiscal 2021 to ¥4.2 billion, as the COVID-19 pandemic-related delay in collecting overdue lease fees was resolved, and a weaker yen contributed positively. Efforts were also made to expand new business fields, such as the P2F business, which involves converting passenger aircraft into freighter aircraft and leasing them out. Our Ireland-based subsidiary signed the Sustainability Charter issued by Aircraft Leasing Ireland, an aircraft leasing industry association, in order to promote such efforts to resolve environmental issues, such as the creation of a circular economy.

Ordinary Profit and ROA in the Aircraft Business

■ Ordinary profit (Billions of yen) — ROA (%)



Fiscal Year	Ordinary Profit (Billions of yen)	ROA (%)
2022/3	1.5	0.7%
2023/3	4.2	2.0%
2027/3 (FY planned)	7.0	2.4%

TOPICS

Concluded a Lease Contract with a Sustainability Linked Loan

We concluded a Japanese Operating Lease contract with a Sustainability Linked Loan (SLL) linked to the decarbonization target of France-based Société Air France S.A. (Air France). As the first initiative of its kind for an airline company, it received the Global Lease of the Year award at an aviation industry conference.



Issues Ahead and Response Measures

Issues Ahead	Response Measures
Respond to rising interest in environmental issues in the aviation industry	Accelerate environmentally friendly initiatives, such as leases with Sustainability Linked Loans (SLLs)
Enhance specialized human resources supporting business expansion and development of new business fields	Promote the recruitment and training of globally minded human resources with a degree of high specializationPromote the recruitment and training of globally minded human resources with a degree of high specialization

New Domains and Incubation

We will thoroughly explore markets that might emerge in the future and potential customer issues and then advance M&A and capital and business alliances with companies that have unique technologies and expertise.

Domain	Investment Timing	Business Form	Partner	Description
BPO	Jan. 2017	Subsidiary	Accretive	Acquired the company, which mainly provides factoring business for medical and nursing care receivables, to strengthen BPO services.
	Jun. 2018	Investment	MerryBiz	Invested in the company, which provides the accounting administrative service Virtual accounting assistants”.
	Oct. 2018	Subsidiary	INVOICE	Acquired the company, which provides integrated billing services, as a consolidated subsidiary to expand services that contribute to improving our clients’ productivity.
	Aug. 2019	Subsidiary	NOC Outsourcing & Consulting	Acquired the company, which offers a broad range of outsourcing services and has high-level consultancy functions, as a consolidated subsidiary to accelerate the expansion of BPO services.
	Oct. 2022	Subsidiary	Human Centrix	Acquired the company, which is engaged in commercial video planning, production and distribution for BtoB companies, as a consolidated subsidiary, to provide further support for resolving issues in customers’ increasingly sophisticated and complex business processes.
	Feb. 2023	Subsidiary	eXtreak	INVOICE acquired the company, which provides LAN installation work and other IT facility services, as a consolidated subsidiary. Integrating the company with INVOICE’ s expertise will enable the supply of one-stop solutions for telecommunication environments.
ICT	Jun. 2021	Investment	Hmcomm	Invested in the company, which provides voice recognition technology services and anomaly sound detection services that utilize AI.
	Oct. 2021	Subsidiary	WorkVision	Acquired the company, which provides a wide range of IT solutions, primarily cloud packages, and are integrating it into BPO services to build a framework for responding to increasingly advanced and complex customer needs.
Healthcare	Aug. 2017	Investment	RIVERFIELD	Invested in the company, which develops robotic surgical assistant systems in Japan.
	Feb. 2018	Investment	CREWT Medical Systems	Invested in the company, which is developing “IMOVifa™,” an automated visual field analyzer.
	Mar. 2018	Investment	Lily MedTech	Invested in the company, which is developing a breast cancer inspection system using medical ultrasound technology.
	Apr. 2018	Subsidiary	FUJITA	Acquired the company, which is capable of providing one-stop services, including everything from the disposal to buying of used medical equipment, to enable the development of new products and services.
	Mar. 2019	Investment	Sanamed (formerly Japanese Organization for Medical Device Development)	Invested in the company, which provides support for the commercialization of state-of-the-art medical technologies.
	Apr. 2020	Investment	THINKCYTE	Invested in the company, which conducts research and development for a next-generation cell isolation system using AI.
	Jan. 2021	Investment	CB Holdings	Invested in the company, which engages in M&A in the medical, welfare, and dispensing pharmacy industries, and provides opening support, management consulting, and news distribution services.
	Jun. 2022	Investment	JSH	Invested in the company, which provides employment support services for people with disabilities and at-home psychiatric healthcare services.
Energy & Environment	Jun. 2018	Investment	Exergy Power Systems	Invested in the company, which develops and manufactures next-generation energy storage systems.
	Mar. 2019	Investment	NEXt-e Solutions	Invested in the company, which provides cutting-edge battery control devices and management systems.
	Feb. 2020	Investment	Girasol Energy	Invested in the company, which develops maintenance management platforms for photovoltaic power generation equipment.
	Oct. 2020	Investment	Tsubame BHB	Invested in the company, launched out of the Tokyo Institute of Technology, which is developing manufacturing technology for the distributed production of ammonia under low-temperature, low-pressure conditions.
	Jul. 2021	Establishment	S-Solar Generation Thailand	Established a joint venture with the Thai subsidiary of Sharp Energy Solutions Corporation to sell electricity in Thailand under a PPA.
	Oct. 2021	Investment	i GRID SOLUTIONS	Invested in the company, which is engaged in energy management, Virtual Power Plant (VPP), and electric power supply businesses.
Mobility	Mar. 2018	Investment	TDF Group	Invested in the company, which operates a rental, leasing, sales, and dealership business for pickup trucks in North America.
	Jan. 2019 Jan. 2023	Investment Subsidiary	Pacific Rim Capital	Invested in the company, which handles operating leases for material handling equipment in North America, in January 2019, and acquired the company as a consolidated subsidiary in January 2023.
	Mar. 2020	Investment	HiBot	Invested in the company, which develops robotics technologies used in extreme environments for infrastructure maintenance, piping inspections, etc.infrastructure maintenance, piping inspections, etc.
	Apr. 2020	Subsidiary	YAMATO LEASE	Acquired the company, which mainly provides truck leasing and other financing services to transportation companies, to expand the business domains of logistics, transportation and used vehicles.
	Nov. 2020	Investment	A.L.I. Technologies	Invested in the company, which develops and is expanding an industrial drone services and air mobility business.
	Apr. 2021	Investment	3D Printing Corporation	Invested in the company, which provides various product services utilizing 3D printing technology.
	Aug. 2021	Investment	REXEV	Invested in the company, which is building EV car sharing and EV management systems.
	Jan. 2022	Investment	PLIC	Invested in the company, which provides logistics solutions in Thailand, including a forklift rental service and consultation on the introduction of automated warehouse systems.
Aircraft	Jul. 2022	Investment	Japan Wind Tunnel Manufacturing	Invested in the company, which manufactures and sells compact, low-cost wind tunnel testing equipment.
	Dec. 2022	Investment	EV Motors Japan	Invested in the company, which specializes in the development, manufacture, and sale of electric vehicles for commercial use (buses, trucks, and trikes, etc.)
	Aug. 2020	Investment	Airbus Ventures Fund III LP	Invested in this fund, established to invest in start-up companies with innovative technology in the aerospace field.
Other	Oct. 2017	Establishment	GAP Fund	Established Japan’ s first industry-academia collaborative GAP Fund in cooperation with the Tokyo Institute of Technology and Innovations and Future Creation Inc.
	Apr. 2019	Partnership	UTokyo IPC Startup Incubation Program	Became a supporter of a startup incubation program organized by UTokyo Innovation Platform Co., Ltd. (UTokyo IPC). Fostered startups through financing and business partnerships as a partner company.
	May 2019	Investment	Synspec	Invested in the company, which offers one-stop solutions using satellite-based observation data.
	Dec. 2022	Investment	H. I. F.	Invested in the company, which provides various financial services leveraging AI, including credit assessment services, receivables purchasing, and receivables guarantees.

Fuyo Lease Group's CSV Management

The Fuyo Lease Group has adopted CSV (Creating Shared Value) as its core management principle. This approach aims to achieve sustainable growth by addressing social issues and is promoted as a medium- to long-term growth management strategy.

By promoting CSV management, we will also address sustainability issues.

Approach to CSV Management

As climate change, resource problems, and a host of social issues are growing more serious, the business environment is changing rapidly, leading to change in the requirements of stakeholders and the role that the Fuyo Lease Group is expected to play. Through CSV management, the Group aims to realize social value (resolution of social issues) and corporate value (profit growth) simultaneously in order to help resolve major issues facing society as represented by the Sustainable Development Goals (SDGs). Moreover, by continuously creating new value from a CSV perspective, we will be able to grow sustainably even in an uncertain business environment, helping to increase the Group's corporate value over the medium to long term, and ultimately realizing the Group's mission. Through management centered on CSV, the Fuyo Lease Group will resolutely strive to create new value by further expanding and evolving its business domains, contributing to the realization of a prosperous society and sustainable growth.

The Fuyo Lease Group's CSV Management Concept



Organizational and Structural Support for Sustainable Value Creation

Realizing sustainable growth through CSV management requires a system of human resources, organizations and governance to be built. The Fuyo Lease Group has formulated "Basic Policy on Systems that Support Sustainable Value Creation," which includes responding to climate change, respect for human rights, human resource strategy to enhance value, contributing to the community, approach to risk, and ensuring compliance. Through the implementation of this policy, we are building a strong foundation for promoting CSV management.

CSV Promotion System

CSV Promotion Structure



To promote sustainability and CSV-related initiatives, the Group established the CSV Promotion Committee, which is chaired by the executive officer who is head of management departments, and has members made up of the heads of major departments in the corporate division and heads of departments responsible for each business domain. The committee formulates, promotes, and monitors strategies, indicators, and targets related to important issues concerning sustainability and CSV, and discusses matters such as materiality and progress on non-financial targets in the Medium-term Management Plan. The content of discussions and reports of the committee are submitted to the Executive Committee for deliberation, and the overall sustainability and CSV policy for the Group, and the status of progress, are reported at least once a year to the Board of Directors.

Major discussion and reports of the CSV Promotion Committee (fiscal 2022)

	Topic for discussion
July 2022	(1) Main response items in the fiscal 2022 Integrated Report (2) The Fuyo Lease Group's value creation story and materiality (important issues to be addressed) (3) Report on environmental performance for fiscal 2021
January 2023	(1) Progress on non-financial targets and expected final results (2) Progress of management strategies in the Medium-term Management Plan
March 2023	(1) Expected full-year performance on non-financial targets (2) Revised plan for fiscal 2023



Understanding of CSV in the Group

To enable all Group employees to understand and empathize with the CSV approach and put it into practice in their daily work, we conducted a training program with workshops at all Group companies. Details of the program that we implemented are shown in the following table. We will continue to promote CSV throughout the Group while monitoring the level of understanding and implementation.

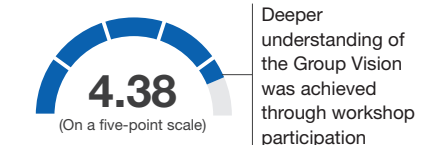


A workshop in progress

Initiatives to Promote CSV Understanding, Empathy, and Practice

Fiscal 2020	Implementation of the "Let's CSV!" training program for promoting CSV understanding, empathy, and practice. For Fuyo General Lease employees. <ul style="list-style-type: none"> "e-learning for understanding CSV" for all employees. "CSV strategy workshop" for all office managers. "Workshops for thinking about the connection between one's own work and CSV" held by office managers at all offices.
Fiscal 2021	Expansion of the above programs to all Group company employees in Japan.
Fiscal 2022	Workshop to promote understanding of the Mission, Vision and Value. (Group companies in Japan) <ul style="list-style-type: none"> "Fuyo Vision × My Vision" (A workshop to deepen understanding of and empathy for the Group's Vision by comparing it to the visions of individual employees) For all employees of Group companies in Japan

In-house level of understanding of CSV and the Mission, Vision, and Value (MVV)*



* Average evaluation from a five-point evaluation survey of participants after completing the workshop.

Toward the Creation of Shared Value with Our Stakeholders

The Fuyo Lease Group provides various opportunities for engagement with stakeholders. By understanding various social issues and stakeholders’ expectations for the Group accurately and in a timely manner, and by promoting Creating Shared Value (CSV), we aim to contribute to the realization of a prosperous society and sustainable growth.

	Interest and expectations for the Company	Engagement method	Main initiatives
Customers Business partners	<ul style="list-style-type: none">High-quality, high-efficiency products and servicesA trustworthy business partner	<ul style="list-style-type: none">Daily sales activitiesParticipation in trade fairs etc. (BPO/ICT)Activities through remote channels (certain Group companies)Website	<ul style="list-style-type: none">Sales activities that customers trust and that build value with themDevelopment of employees who can propose and provide appropriate services <div>Fuyo Vision Stories ▶ P13-18 Value Creation by Business Area ▶ P27-34 Human Capital ▶ P38-41</div>
Employees	<ul style="list-style-type: none">Personal growth and job satisfactionComfortable workplace environmentRespect for human rightsHealthy lifestyle	<ul style="list-style-type: none">Various training systemsCommunication through the human resources and welfare systemsIntranet and internal social networking systemEmployee awareness surveyWhistleblower hotlineEmployee union	<ul style="list-style-type: none">Strategic human resources developmentDiversity and inclusionHealth and productivity management, work-life balanceEmployee awareness surveyOffice Day event with family participation <div>Human Capital ▶ P38-41 Initiatives for Respect for Human Rights ▶ P46</div>
Natural Environment	<ul style="list-style-type: none">Climate change responseContribution to a circular economyConservation of biodiversity	<ul style="list-style-type: none">Commitment to decarbonization through RE100 and carbon neutral declarationParticipation in initiatives (Japan Climate Leaders Partnership, Ellen MacArthur Foundation)Daily sales activitiesSocial contribution activities	<ul style="list-style-type: none">Initiatives to reduce CO₂ emissions<ul style="list-style-type: none">Reduction of the Fuyo Lease Group’s emissionsContribution to CO₂ emissions reduction through businessPromotion of a circular economy<ul style="list-style-type: none">Business opportunities that contribute to a circular societyWaste reduction through business activitiesZero-waste activitiesBiodiversity<ul style="list-style-type: none">In-house breeding of fish and aquatic plants for businessCultivation of endangered speciesBiodiversity education <div>Fuyo Vision Stories ▶ P13-18 Value Creation by Business Area ▶ P27-34 Climate Change Response ▶ P43-45 Initiatives to Realize a Circular Society ▶ P47 Initiatives related to Biodiversity ▶ P46</div>
Local Communities	<ul style="list-style-type: none">Resolution of social issues and creation of social value through businessSocial contribution to local communities	<ul style="list-style-type: none">Daily sales activitiesSocial contribution activities<ul style="list-style-type: none">DonationsVolunteering	<ul style="list-style-type: none">Work with customers through sales activities to create further social valueSocial contribution activities<ul style="list-style-type: none">Donations<ul style="list-style-type: none">Support for commercialization of basic researchSupport for students aspiring to become artistsVolunteering<ul style="list-style-type: none">Supporting the next generation of children <div>Fuyo Vision Stories ▶ P13-18 Value Creation by Business Area ▶ P27-34 Community Contribution ▶ P48</div>
Shareholders and Investors	<ul style="list-style-type: none">Medium- to long-term increase in corporate valueTimely and appropriate disclosure of financial and non-financial information	<ul style="list-style-type: none">General Meeting of ShareholdersFinancial results briefingsIntegrated ReportsIndividual dialogue with investors	<ul style="list-style-type: none">Online General Meeting of ShareholdersRevitalization of financial results briefingsEnhancement of disclosure in the Integrated ReportInvestor relations and shareholder relations meetingsEnhancement of sustainability-related disclosure (TCFD, human capital)Disclosure of initiatives to procure funds through sustainable finance <div>Sustainable finance performance is presented in the following table</div>

Human Capital

The Fuyo Lease Group believes that its people, i.e., its employees, are its greatest asset, and serve as the foundation for the Group’s sustainable value creation. Based on this belief, we are actively investing in our human resources. Our efforts related to investment in human resources are based on the following three pillars: strategic human resources development, diversity and inclusion, and health and productivity management & work-life balance. In addition, we regularly measure employee engagement and strive to improve it.



Strategic human resources development

To live up to our corporate slogan of “Go Where No One Has Gone Before,” the Fuyo Lease Group has encouraged its employees to be autonomous human resources who think for themselves, act proactively, and are committed to personal growth. In the future, employees will be encouraged to develop into human resources with high levels of expertise in each business domain and the ability to create high added value in each area, in order to achieve the medium-term management plan through fiscal 2026 with CSV at the core, and to realize

the Mission and Vision for 2030 and beyond. To maximize our support for employees’ development into the human resources we seek, we are actively investing in human resources, with a target of increasing human resource development expenses (non-consolidated) 300% by fiscal 2026 compared to fiscal 2021. Human resource development expenses increased 188% in fiscal 2022 and are projected to increase 210% in fiscal 2023.



Developing Autonomous Human Resources with a Commitment to Personal Growth

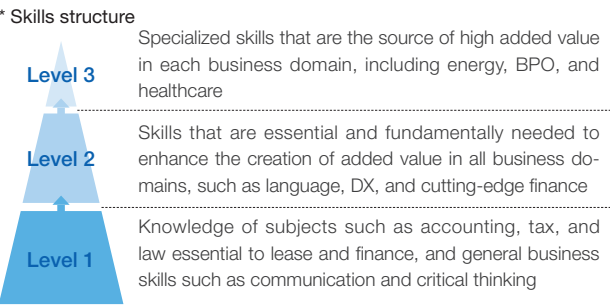
We will increase the autonomy of human resources through initiatives to improve the leadership skills of supervisors and to foster self-awareness among employees.

Measures	Outline of Measures
Introduced an internal coaching certification acquisition program	Provided training for management-level employees. Trainees learned coaching skills to help their subordinates gain autonomy. 36 people participated in the training.
Introduced a cafeteria plan (from 2022)	Began subsidizing the cost of employees’ autonomous learning, including the costs of attending English conversation schools and business schools, and participating in seminars.
Introduced career consulting (from 2023)	Career consultants, both internal and external, support the autonomous and self-directed career and skill development of employees.

Establish a High Degree of Specialization in Each Business Domain

In order to develop human resources who can address increasingly diverse and sophisticated business domains and create high added value, we have classified our skills structure into 3 levels*. Programs that strengthen specialized knowledge, particularly at Levels 2 and 3, are being intensively developed and expanded. Notably, in the language field of Level 2, we have started to provide training in which young employees work remotely on issues with overseas business people, in order to develop human resources capable of creating high added value in overseas businesses. In fiscal 2022, 24 employees participated in this training. All employees are taking part in e-learning to obtain basic knowledge of the digital transformation (DX) field, which is a key theme of the current medium-term management plan. At Level 3, employees enhance their specialization through such

means as a system of incentive payments for the acquisition of certifications designed for each business domain and secondment to partner companies.



Promotion of Sustainable Finance through Engagement with Investors and Financial Institutions

Sustainable finance refers to borrowing and bond issuances for which sustainability-related initiatives are disclosed using specific strategies, indicators and targets. The Group views this as an important mode of engagement with investors and financial institutions, and actively engages in various forms of fund procurement. In fiscal 2022, we worked mainly on a scheme for evaluating overall non-financial targets set forth in the Medium-Term Management Plan Fuyo Shared Value 2026.

Main Fund Procurement through Sustainable Finance (FY 2019–2022)

Execution Period	Category	Summary
FY 2019	Green Bonds	<ul style="list-style-type: none">Allocation to the Fuyo RE Action Support Program, the Fuyo 100% Renewable Electricity Declaration Support Program, and the Fuyo Zero Carbon City Support Program (2020 –)Received Gold Prize (2020) and Special Prize (2022) at the ESG Finance Awards Japan
FY2020	Sustainability-linked bonds	<ul style="list-style-type: none">First sustainability-linked bond issued by a financial institution in JapanIncreased the renewable energy ratio in electricity consumption and set target for the amount of financing handled for the promotion of decarbonization
FY2021	Sustainability-linked loan with engagement dialogue	<ul style="list-style-type: none">Set quantitative targets for both social aspect (number of BPO service provision companies) and environmental aspects (amount of financing handled for the promotion of decarbonization)
FY2021	Sustainability bond (Fuyo CSV bond)	<ul style="list-style-type: none">Allocated to solar power plants, green buildings (environmental aspect), and facilities for the elderly (social aspect)
FY2022	Positive impact finance (loan)	<ul style="list-style-type: none">The overall non-financial targets set forth in the Medium-Term Management Plan were used to evaluate impacts and set KPIsThird time executing a loan on this scheme
FY2022	Sustainability-linked loan with engagement dialogue	<ul style="list-style-type: none">Set targets for material and chemical recycling rates for waste plastic (from returned items) to evaluate circular economy strategies, etc.

* Key Performance Indicator (KPI): An important indicator for measuring an organization’s level of attainment of a target.
* Sustainability-linked loans with engagement dialogue: Loans in which the Development Bank of Japan Inc. engages in dialogue with the borrower to support the setting of appropriate sustainability performance targets (SPTs) that contribute to increasing the borrower’s level of sustainability management, while accompanying the borrower by engaging in periodic dialogue throughout the loan period to support achievement of the SPTs.

Initiatives to Promote Diversity and Inclusion

Diversity and Inclusion

The Fuyo Lease Group believes that diversity in human resources is a key growth driver. Bringing together different strengths, viewpoints, and values generates the innovation that creates new value, and leads to sustainable growth. We are working to promote diversity and inclusion with the goal of cre-

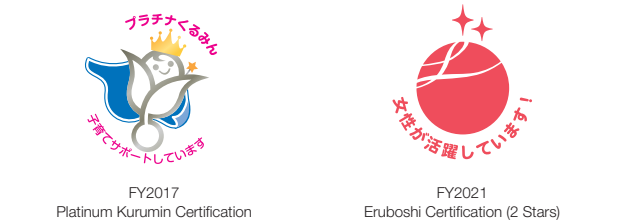
ating a workplace where every employee can maximize their full potential, increase their expertise, and work comfortably and feel job satisfaction regardless of age, sex, nationality, sexual orientation, gender identity, race, ethnicity, disability or mode of recruitment.



Promoting Women’s Participation in the Workforce

Notably, with regard to women’s participation in the workforce, we are developing an environment in which female employees can demonstrate their abilities to the fullest extent even more than before. In the medium-term management plan, we have positioned promoting women’s participation in the workforce as a crucial human resources strategy. For this, we have set

high numerical targets, specifically a ratio of women in new graduates hired of 40% and a percentage of female employees in management of 35%. We will focus on further promoting women’s participation in the workforce by further enhancing and strengthening the various initiatives we have taken to date.



Main Initiatives

- Step up follow-up support for female employees (continue to conduct individual interviews and provide skill development opportunities)
- Provide female employees with opportunities for interaction with the president, executives, and division heads
- D&I seminars with external female executives serving as instructors
- Hold roundtable meetings with senior female-employee colleagues



Career lecture by female executive

Inclusion in the Workplace

We are working to increase understanding of diversity and inclusion in the workplace by implementing measures such as providing e-learning about hiring LGBTQ people and people with disabilities to all Group employees and group training on those issues to division heads, executives and human resources managers. As a result of implementing these initiatives, we received a

Bronze rating on the PRIDE Index 2022, an assessment indicator for efforts to address sexual minorities in the workplace. PRIDE Index 2022 was developed by work with Pride, a voluntary organization.



Health and Productivity Management

The Fuyo Lease Group believes that providing a healthy and safe work environment where employees can work energetically will invigorate the organization and increase productivity. We consider both investment in the health of our employees (efforts

to maintain their health) and human resources development to be investments in human capital. Consequently, we promote strategic health and productivity management based on a management perspective.

Maintaining the Health and Productivity of Employees

In fiscal 2022, we identified employee disease prevention and early detection of disease as a priority issue for health and productivity management. We lowered the age at which employees can receive a complete medical checkup with no out-of-pocket expenses from 40 or over to 35 or over, and all eligible employees received a complete medical checkup. In addition, we believe that creating an environment in which female employees can maximize their abilities without interrupting their careers will drive the Group’s growth. Based on this belief,

we began holding online seminars to increase understanding of women’s health issues. From fiscal 2023, we have been holding individual consulting sessions guided by a female doctor three times a month for all female employees of the Group. In recognition of these efforts, the Company was certified as a 2023 Health and Productivity Management Outstanding Organization (large enterprise category), following on from its certification in fiscal 2021.

Performance Indicator	FY2021	FY2022	FY2026 Target
Percentage of employees aged 35 or over who have had a health examination (non-consolidated)	86%	100%	100%



Left: Chikako Yamaoka, CEO, Yamaoka Medical International Co., Ltd.
Right: Mariko Akimoto, Obstetrics and gynecology specialist, occupational health physician certified by the Japan Medical Association

Work-life Balance

To ensure that all employees can autonomously achieve a work-life balance, we strive to build an employee-friendly working environment where employees can enhance the quality of both life and work, through such means as maintaining and improving their health, expanding their knowledge and insight, and pursuing personal development. To this end, we have been promoting workstyles with a clear-

cut balance that allow for individual autonomy and high productivity by introducing unique initiatives and encouraging the acquisition of annual paid leave. In this way, we are correcting long working hours and creating an environment that allows employees to work according to their own lifestyles, regardless of circumstances such as childcare or nursing care.

Main Initiatives and Systems

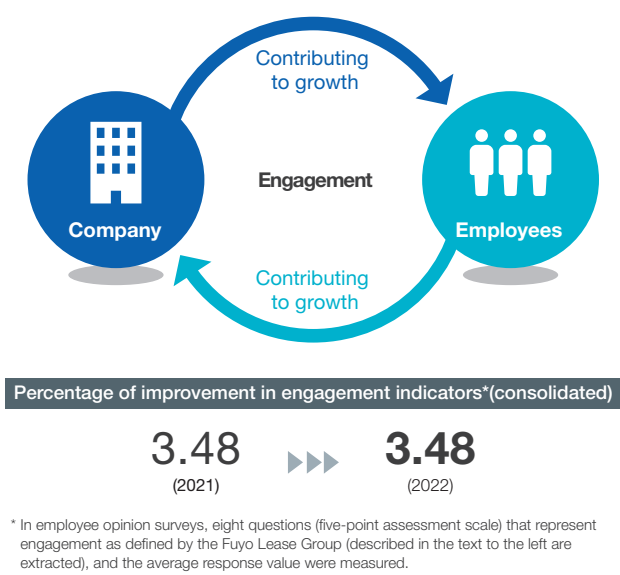
- +Friday (Plus Friday): employees can designate one of the Fridays each month as a half-day workday
- Refresh Day: each employee designates one day every week when they can leave early
- Flexible work hours: a system that allows employees to start work anytime between 7:00 and 11:00 and work for 7 hours and 20 minutes
- Annual paid leave: employees are encouraged to take annual paid leave, with 1-2 business days of leave scheduled between weekends and holidays as bridge holidays.

Performance Indicator	FY2021	FY2022	FY2026 Target
Percentage of eligible male employees who have taken childcare leave (non-consolidated)	110%	100%	100%
Rate of taking paid leave (non-consolidated)	82.3%	93.5%	90%
Rate of taking the +Friday system * (non-consolidated)	89.4%	89.0%	—

* The percentage of people who took the +Friday system at least once a year among employees as of the fiscal year-end (excluding those on leave, retirees, and mid-career hires during the fiscal year). Excludes workers at seconded sites and overseas subsidiaries that do not have the +Friday system.

Engagement

The Fuyo Lease Group defines engagement as “a relationship in which each employee links the growth of the company with his or her own growth, and contributes to their mutual growth.” The Group measures indicators of engagement through employee opinion surveys and monitors trends in those indicators. Considering increasing engagement to be important for creating social value and corporate value, we implemented the Job FA System (a system that allows employees with “Free Agent” (FA) rights to convey their career and track record to departments to which they want to be transferred, and in principle, allows them to be transferred if needs are aligned). Meanwhile, we are expanding systems and environments in which older employees can actively participate.



Making Diversity a Source of Competitiveness Pacific Rim Capital, Inc. (PRC)

Pacific Rim Capital (PRC) is a Group company engaged in the operating lease business for material handling equipment in North America. PRC employs an ethnically diverse workforce and holds a Minority-Controlled Company certification*¹ administered by the National Minority Supplier Development Council ("NMSDC")*², which promotes support for minorities. In the U.S., which values diversity, some companies use this certification as one of their selection criteria for suppliers, and it has served as the basis for business relationships between many major blue-chip companies that support the certification's purpose and PRC. In fact, Walmart Inc., the largest retailer in the U.S., included PRC in its Supplier Inclusion Impact Report 2021 (a report introducing diversity initiatives) in recognition of PRC's

commitment to diversity and services as a supplier. In its recruitment process, PRC maintains an unbiased approach to factors such as race, gender, and age. In appointing and assigning personnel, PRC assesses aptitude based on factors including skills, experience, and behavioral traits. This process ensures diversity and makes it the source of the Company's competitiveness, allowing the Company to respect different points of view, and generate innovative ideas through mutual understanding and teamwork.

*1 NMSDC: National Minority Supplier Development Council
The National Minority Supplier Development Council was founded in the U.S. in 1972 to facilitate business between minority-owned businesses and major corporations. It has more over 1,700 corporate members, including major corporations, and is headquartered in New York.
*2: Minority-Controlled Company
A certification given to companies managed by people who are members of ethnic minorities.



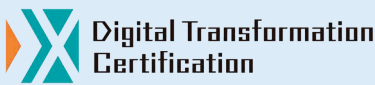
At a Halloween party in the office

DX Strategy

Under the philosophy of Creating Shared Value (CSV), the Fuyo Lease Group simultaneously pursues the resolution of diverse social issues and the provision of economic value through its business operations. As technological advances spur society's shift to digitalization, we introduce digital technologies and the value we provide to society continues to adapt to the changing external environment. In this way, we aim to create shared value over the long term.

Acquisition of DX Certification

- Fuyo General Lease acquired DX Certification under the DX Certification Initiative* of the Ministry of Economy, Trade and Industry on September 1, 2022.
- Among our group companies, in addition to WorkVision which previously acquired it, Sharp Finance Corporation acquired DX Certification on October 1 2022.



Strategy 1 Efforts to Expand New Business Domains

- Strategic Target**
- Support recurring and subscription business models and other means of business development
- Progress**
- To build a new business that generates continuous revenue, we are in the process of establishing a new IT infrastructure foundation, including internal core systems. Additionally, a business model study is underway with manufacturers and other customers in mind.

Strategy 2 Delivery of Enhanced Value through Advanced Product / Service Offerings

- Strategic Target**
- Develop and expand cloud solutions
 - Support partner companies developing DX products
- Progress**
- In October 2022, Human Centrix Co., Ltd., which operates a video production and streaming business, joined the Fuyo Lease Group. The addition of this company has strengthened the Group's structure for resolving issues using diverse digital solutions for the increasingly high-level and complex business processes of our customers.

Strategy 3 Digital Support for Sales Activities

- Strategic Target**
- Advance the sales support system
 - Advance marketing through data coordination and analysis
- Progress**
- We have started work on renewing our in-house sales management system, to provide a platform that will support sales activities contributing to new business creation and improved customer service. In January 2023, we established the CRM Renewal Project Team envisioning ways to ensure the system's regular use after its introduction.

Strategy 4 Drastic Streamlining and Advancement of Business Operations, Flexible Workstyles, and Business Processes Reformation

- Strategic Target**
- Streamlining of internal business processes utilizing digital means
 - Reskilling of IT and DX personnel
- Progress**
- With a view to increasing digital literacy, we launched a DX/e-learning program for all officers and employees in October 2022. We will continue to visualize employees' skill levels through in-house assessments, and we plan to develop training options specific to operation domains and skill levels.

Climate Change Response

The Fuyo Lease Group’s Strategy for Decarbonization

Addressing climate change and decarbonization is an important business opportunity for the Group, which focuses on and has expertise in businesses related to renewable energy, and is a core area of CSV, where it can simultaneously achieve a high level of realizing social value and corporate value. In the medium-term management plan, we set contributing to the realization of decarbonized society as an important issue (materiality), and made a declaration to reduce CO2 emissions through business activities. Also, for information disclosures based on the recommendations of the Task Force on Cli-

mate-related Financial Disclosures (TCFD), we have unveiled a strategy based on the dual wheels of decarbonization of the Group as a form of risk reduction and decarbonization of customers and society as a business opportunity. The Group will achieve sustainable growth by demonstrating its competitive edge in this domain.



* All of the Fuyo Lease Group's information disclosures based on TCFD recommendations can be viewed through our Company's website.

Risk and Opportunity Related to Climate Change P45



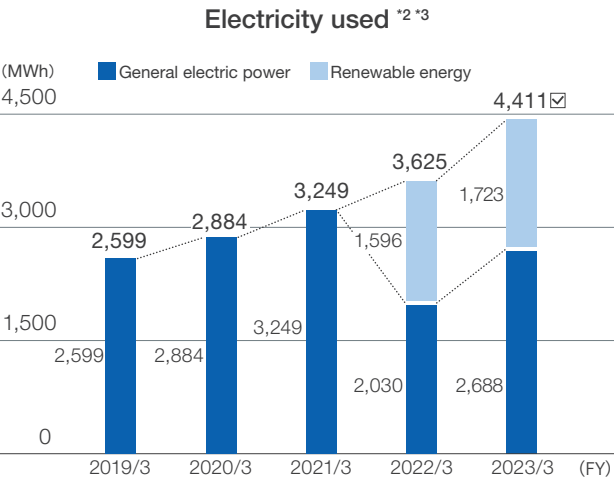
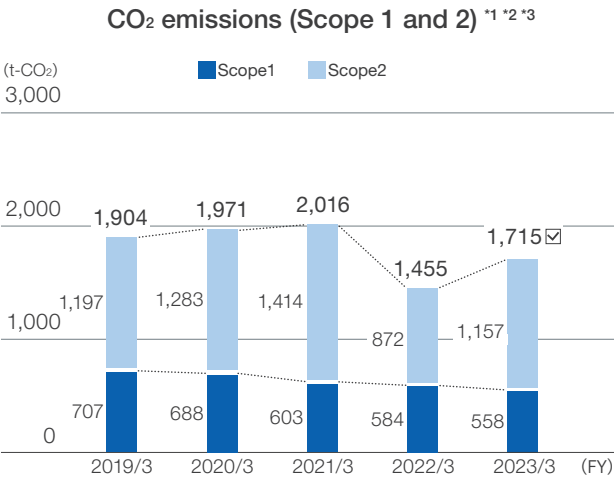
Decarbonization of the Group

We decided that we needed to carry out initiatives voluntarily, and in 2018 became the first general lease company in Japan to participate in RE100. In fiscal 2022, we implemented renewable energy at several domestic locations, and introduced six EVs as company sales vehicles. We will continue to reduce the Group’s greenhouse gas emissions primarily by introducing renewable electricity to offices and converting company sales vehicles to EVs.



Decarbonization of the Group (Medium-term environmental targets)	2024	2030
RE100 target* (Percentage of energy used that is renewable energy)	50%	100%
CO ₂ emissions* (Scope 1 and 2)	Compared to FY2020 30% reduction	Achievement of carbon neutrality

*The scope includes Fuyo General Lease and its consolidated subsidiaries.



^{*1} CO₂ emissions are calculated using the emission coefficient specified in the Ministerial Ordinance on Calculation of Greenhouse Gas Emissions Emitted by Specified Emitters. (Calculations concerning domestic electric power use the annual adjusted emission coefficients for general power transmission and distribution businesses that supply power in the regions where the offices to which the calculations apply operate. Calculations concerning overseas electric power use the emission coefficients of the specific country published by the International Energy Agency (IEA)) However, Fuyo General Lease and companies of the Fuyo Lease Group are not considered to be specified emitters.

^{*2} The statistics are collected from all domestic offices of Fuyo General Lease Co., Ltd., Fuyo Auto Lease Co., Ltd., FGLGROUP Business Service CO., Ltd., FGL GROUP Management Service Co., Ltd., FGL Circular Network Co., Ltd., FGL LeaseUp Business Service Co., Ltd., Aqua Art Co., Ltd., FGL Techno-Solutions Co., Ltd., Sharp Finance Corporation, Accretive Co., Ltd., INVOICE INC., FUJITA Co., Ltd., NOC Outsourcing & Consulting Inc., YAMATO LEASE CO., LTD., WorkVision Corporation, and Human Centrix Co., Ltd. as well as overseas affiliates and subsidiaries including Fuyo General Lease (USA) Inc., Fuyo General Lease (China) Co., Ltd., Fuyo General Lease (HK) Limited, Fuyo General Lease (Asia) Pte. Ltd., Fuyo General Lease (Taiwan) Co., Ltd., Fuyo General Lease (Thailand) Co., Ltd., FGL Aircraft Ireland Limited, Aircraft Leasing and Management Limited, FGL Aircraft USA Inc., and Pacific Rim Capital, Inc. For the Fuyo Lease Group companies, figures from before the figures began to be recorded are not indicated.

^{*3} Electricity usage has been estimated for some locations. The estimation method is based on multiplying the area of the site subject to estimation by the electricity consumption per area of the Fuyo Lease head office, the entire building of the site subject to estimation, or the head office of the site subject to estimation.

Decarbonization of Customers and Society

Strategy Indicators/Targets

The Group is working to reduce CO₂ emissions through the installation and replacement of renewable energy and energy-saving equipment and devices for its customers, positioning this as an important contribution to reduction that the leasing business can make. These emission reductions and emission reductions from elec-

tricity supplied by renewable energy power generation business are defined as CO₂ reduction contributions, which are set as a non-financial target along with the amount of funds invested to achieve the target. In addition, we have set breakdown targets for each of the major items in order to increase the effectiveness of our efforts.

Decarbonization of Customers and Society (Materiality KPI)	FY2022 Results	FY2026 Targets
CO ₂ reduction contributions	220,000 t-CO ₂ /year	500,000 t-CO ₂ /year
Amount invested in promoting decarbonization	¥56.4 billion	Total of ¥300.0 billion over five years
Renewable energy power generation capacity	515MW	1,000MW
Percentage of Group vehicles that are EVs or FCVs	0.7%	30%
Amount of financing handled for the promotion of decarbonization	¥5.3 billion	Total of ¥12.0 billion over five years

Support for Customers’ Decarbonization

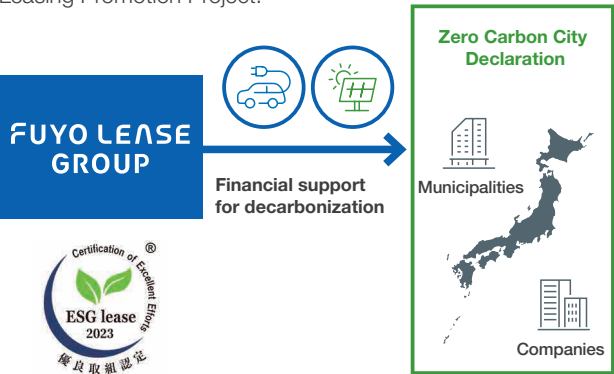
We will meet customers’ various decarbonization needs by providing leases and services.

Examples of leases and services

- Renewable energy equipment (PPA, storage batteries)
- EV and FCV lease and various kinds of managerial and operational support
- Energy-saving device leases (air conditioners, LED lights, hot water supply equipment)
- Products that comply with the Act on Promoting Green Purchasing

Fuyo Zero Carbon City Support Program

This is a program to support the decarbonization of zero-carbon cities, which refers to municipalities that have declared a goal of effectively zero CO₂ emissions by 2050. It serves as one form of decarbonization promotion finance. More than 300 organizations nationwide have already taken advantage of this program, and it was selected as a project certified for its excellent efforts in the Ministry of the Environment’s FY2023 ESG Leasing Promotion Project.



Renewable Energy Power Generation

We will actively work on large-scale, overseas renewable energy power generation business, and increase our contributions to the reduction of emissions. In fiscal 2022, we promoted large-scale overseas projects, resulting in a renewable energy power generation capacity of 515MW.

Management and Supervision of Climate-related Risks and Opportunities

Governance Risk Management

We established a CSV Promotion Committee through which we formulate, promote, and monitor strategies, indicators and targets concerning critical issues related to climate change. Deliberations and report details are discussed by the Executive Committee and reported to the Board of Directors once a year or more.

Climate-related risks are managed under an integrated risk management system. When a critical risk occurs, it is swiftly reported to the Corporate Planning Division, which supervises the risk management activities, from which point the Corporate Planning Division gives appropriate guidance regarding risk management to the department in charge of managing the risk.

Key Risks and Opportunities Related to Climate Change

Strategy

In order to quantitatively measure the financial impact of climate change and the transition to a decarbonized society, a scenario analysis was conducted based on two climate change scenarios: the 1.5°C scenario and the 4°C scenario (During the 1.5°C scenario analysis, partial data from the 2 °C scenario was used for items on which external information was lacking). As a result of analysis, we identified the following climate-related risks and opportunities (partial list).

Key Risks and Opportunities Related to Climate Change					
* For a complete view of risks and opportunities, please refer to “Information disclosure based on the TCFD recommendations” on our website.					
Category		Effect on our operations			
		Business summary	Time span	Impact by scenario	
				1.5°C	4°C
Company-wide					
Transition risks	Introduction of a carbon tax (policies and legal regulations)	Risk of increase of costs for the achievement of RE100 and carbon neutrality due to the introduction of a carbon tax	Medium term to long term	Minor	Minor
Real Estate					
Physical risks	Increasingly serious natural disasters (acute)	Risks of rise in insurance premiums after increase and intensification of natural disasters	Short term to long term	Minor	Minor
Energy & Environment					
Transition risks	Institutional changes of energy purchase systems (FIT, FIP), etc. (policy and legal restrictions)	Risks of decrease in revenue from electric power sales, increase in operational costs, etc. in the event of unexpected institutional changes	Short term to long term	Medium	Medium
Opportunities	Rise in demand for renewable energy (products, services and markets)	Increase of initiatives for domestic renewable energy projects	Short term to long term	Major	Major
		Increase of initiatives for overseas renewable energy projects	Short term to long term	Major	Medium
	Business opportunities brought by new technologies, new systems, etc. (products, services and markets)	Increase of initiatives for new areas of business such as secondary energy	Short term to long term	Major	Medium
Mobility					
Transition risks	Stricter regulation of CO ₂ emissions (policy and legal restrictions)	Risks of decrease in demand for the lease of conventional diesel and gasoline-powered vehicles due to a decrease in demand for gasoline-powered vehicles following the tightening of CO ₂ emissions regulations, etc.	Medium term to long term	Medium	Minor to medium
Opportunities	Rise in demand for electric vehicles (markets)	■ Promotion of one-stop services with electric vehicles ■ Promotion of partnership with car manufacturers and dealers and alliance strategies with power companies, trading firms, etc.	Short term to long term	Medium	Medium
	Rise in demand for services related to electric vehicles (products and services)	■ Building a maintenance network ■ Promoting FCV before other companies do			
Aircraft					
Transition risks	Changes in the business environment (market)	Risks of decrease in profit resulting from the resale prices of old model aircraft after the termination of the lease period alongside the shift to fuel-efficient aircraft	Medium term to long term	Medium	Minor
Opportunities	Introduction of new technologies related to aircraft and the formation of a new market (products and services)	■ Receiving inquiries regarding existing products and increasing profitability through investment in and cooperation and synergy with peripheral businesses ■ Venture capital investment and cooperation in new areas of technology (sustainable aviation fuel (SAF), hydrogen/electric/eVTOL (electric vertical takeoff and landing) aircraft, etc.)	Medium term to long term	Medium	Medium
Definition of timeline [Short term]: present–2025 [Medium term]: 2026–2030 [Long term]: 2031–2050					
Definition of impact (monetary impact on our consolidated gross profit in 2030) [Major]: greater than 3 billion yen [Medium]: 100 million yen–3 billion yen [Minor]: Smaller than 100 million yen					

Impact on the Group’s Business and Countermeasures

Strategy


The scenario analysis showed that the impact of climate change risks on the Group’s business is limited under both the 1.5°C and 4°C scenarios, and that opportunities are greater. In order to appropriately manage the identified risks and maximize business opportunities, these analysis results are reflected in the non-financial targets and strategy for each business in the Medium-Term Management Plan “Fuyo Shared Value 2026.” By concentrating managerial resources on decarbonization, we will promote business growth through the expansion of renewable energy power generation projects and increased financing for EVs and FCVs.

Initiatives for Respect for Human Rights

The Fuyo Lease Group engages in business and human rights as a key policy for CSV management.

We recognize that respect for human rights is a responsibility which companies must fulfill and a major prerequisite for conducting business activities.

Through CSV management, which will simultaneously solve social issues and improve sustainable corporate value, the Group will promote initiatives aimed at respecting human rights in order to become a company that is trusted by its customers, partner companies and communities.



General Manager of Group Legal & Compliance Division
Rika Ayano

The Fuyo Lease Group’s Human Rights Policy

We acknowledge that our business activities may have a negative impact on human rights, and formulated the Fuyo Lease Group’s Human Rights Policy (hereinafter “the Policy”) in May 2022 in order to clarify our stance as a company that respects human rights. In accordance with the Policy, we will help to realize a society in which human rights are respected through our business activities. The Policy has been determined by a resolution of the Board of Directors following deliberation by the Executive Committee.

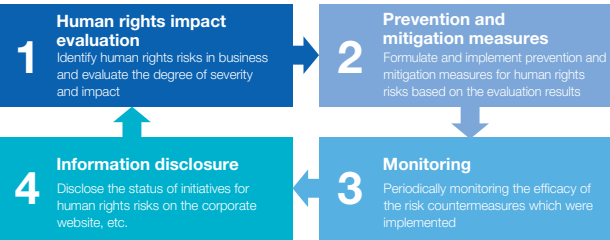


* The Fuyo Lease Group’s Human Rights Policy can be viewed on our Company homepage.

Human Rights Due Diligence

We launched an initiative for human rights due diligence based on the Policy. Through inquiries made to business units and interviews with partner companies, we identify issues that have a negative impact on human rights in our business, and implement countermeasures according to the degree of risk severity. By continually implementing this kind of process every term, we will work to prevent and mitigate human rights risks.

Human Rights Due Diligence Process



Initiatives related to Biodiversity

Aqua Art Co., Ltd. offers aquarium layouts with tropical fish and aquatic plants for rent.

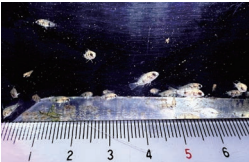
AQUARIUM RENTAL SYSTEM
AQUA ART

A Natural Ecosystem in an Aquarium Tank

Within the aquarium tank, microorganisms decompose leftover fish food and waste, which are used as fertilizer to produce oxygen through photosynthesis by the growing aquatic plants, purifying the water and keeping the fish healthy. In this manner, a natural ecosystem cycle is reproduced in the tank.

Promote In-house Breeding for Fish and Aquatic Plants

Aqua Art launched the SDGs-Related Project and established a system to provide a certain quantity of fish and aquatic plants through the in-house breeding of tropical fish such as platies, guppies, corydoras, and African butterfly cichlids, as well as reusing and cultivating aquatic plants brought back from maintenance work.



In-house bred African butterfly cichlid

Succeeded at Breeding an Endangered Species

In the fall of 2020, we succeeded at breeding the Japanese rosy bitterling, a freshwater fish unique to Japan.

Contributed to Biodiversity Education

We presented visiting lectures based on the theme of biodiversity to 120 elementary school students from lower grades in Tokyo. These lectures were introduced in a special edition of the Yomiuri SDGs Newspaper: Life and the SDGs. In 2022, we held a summer aquarium-themed event at Nagareyama Otakanomori S.C. and Tamagawa Takashimaya S.C. and hosted an entertaining exhibition that enabled children to create fond memories of summer. The event communicated the fun of observing and learning about living organisms through activities such as a stamp rally to complete a fish encyclopedia and panels on fish trivia focused on learning. This event offered not only the enjoyment of an aquarium but also opportunities to think about the environments where fish live.



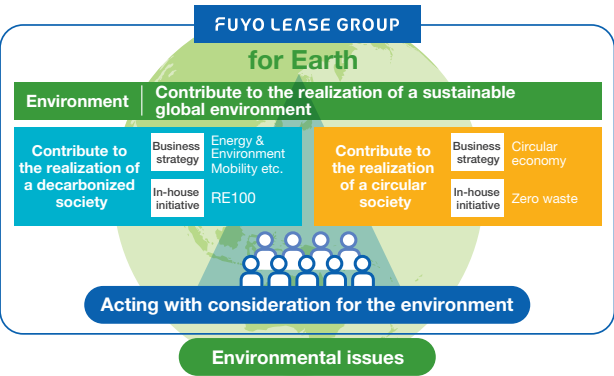
A visiting lecture at an elementary school



Initiatives to Realize a Circular Society

Initiatives from Both Business and In-house Aspects

The Fuyo Lease Group has made the contribution to the realization of a circular society one of its important issues (materiality) in business activities and develops infrastructure, services and more to achieve a circular economy as a business strategy. As an in-house initiative we are conducting Zero Waste Activities, promoting each and every individual employee to act with consideration for the environment. In doing so, we are promoting both business strategy and in-house initiatives toward achieving a circular society.



Reducing Waste through Business Activities

To contribute to the realization of a circular economy as a leasing company that handling various products, we aim to achieve the Group's returned lease properties* and waste plastic* derived from returned properties are completely recycled by FY2026, the final year of the medium-term management plan. While collaborating with Group companies, we are working to develop an infrastructure that will enable reuse and recycling of returned properties and to develop channels for resource recycling.

Materiality KPI	FY2022 Results	FY2026 Targets
Percentage of returned items that are reused or recycled*	100%	100%
Percentage of materials/chemicals contained in waste plastics (from returned items) that are recycled*	24.7%	100%

* Applies to leased (rental) assets returned to the Hachioji Technical Center of FGL Circular Network Co., Ltd.

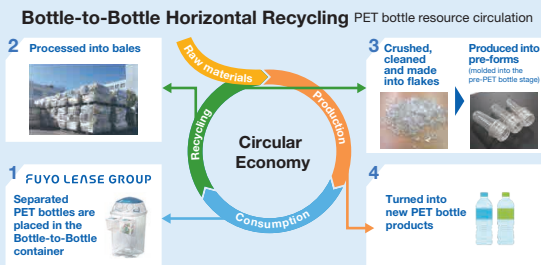
Promotion of Zero Waste Activities

Zero Waste Activities aim to minimize the amount ultimately generated as waste by reducing the amount of trash generated from offices and recycling it as a resource. We believe zero waste is the exit part of consumption in a circular economy, and we conduct our activities in relation to the Circular Economy domain. We are moving forward to contribute to the creation of a circular society.



Horizontal Recycling of PET bottles

We are taking part in a bottle-to-bottle initiative taking used PET bottles and recycling them into new PET bottles. At the Group's head office, individual employees place separated PET bottles in a transparent container for collection and these are then recycled to be used as new PET bottles. There are signs of people engaging proactively, such as the receipt of ideas regarding methods for the activity.



Volunteer Participation in Chiyoda City Cleanup

We took part in Chiyoda City Cleanup Day, with volunteers collecting trash from around the head office area before the start of work. Participants walked around differently from their usual commutes and came to many realizations, for example, seeing trash hidden in shrubbery and recognizing once again that plastic waste does not decompose. This activity contributed to beautification of the community and at the same time enhanced environmental awareness.



Volunteer trash collection

Community Contribution

Basic Approach

The Fuyo Lease Group believes it is essential to strengthen partnerships with external stakeholders through contributions to the community to continue to develop sustainably together with society. In particular, we support the environment, the academic and research fields, and culture and art fields with a focus on developing human resources for the next generation who will become our customers and employees in the future.

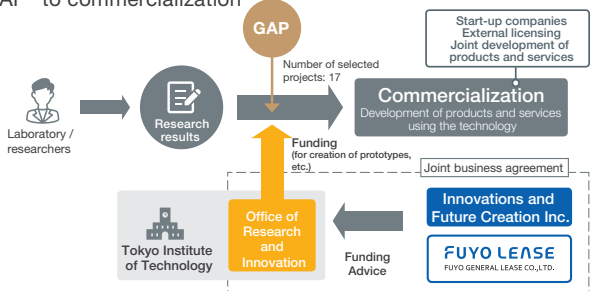
Supporting Commercialization for Basic Research



We established Japan's first industry-academia collaborative GAP Fund in cooperation with the Tokyo Institute of Technology and Innovations and Future Creation Inc. in October 2017. Up until now, 17 projects have been selected, of which two have resulted in creating startup companies. From July 2023 we started operating Fuyo Mirai GAP Fund under a new framework and will continue to support commercialization and product development of cutting-edge technologies in the future.

GAP Fund

A Fund intended to fill the "GAP" to commercialization



Support for Students Aiming to Become Artists



In 2021, we established the Fuyo Joshibi Venus Fund with Joshibi University of Art and Design to support students aiming to become artists, providing them with exhibition venues for more people to become familiar with their works. In March 2023, we held the fund's first exhibition in the Sumitomo Fudosan Kojimachi Garden Tower where the Group head office is located. Going forward, we plan to gradually expand the exhibitions to other spaces provided by our customers who support the ideas behind the fund.



Creator Kokoro Seo with her work, "Minato."

Supporting the Next Generation of Children



Fuyo General Lease makes donations every year linked to the shareholder benefit program. Since 2017, we have continued our donations in support of Save the Children Japan, which supports children in pursuit of a world where the rights of all children are realized and no one is left behind. In fiscal 2022, as one aspect to solve the problem of child poverty in Japan, we donated to the <Children's Food Support Box>, which targets households raising children who are experiencing prolonged and serious economic difficulties from due to the spread of COVID-19 and soaring prices. We are working to support the growth of children who will lead the next generation. This year, some employees also volunteered to help with Food Box for Children packing and shared the realization that support is delivered through the backing provided by various types of people.



Volunteers pack the Food Box for Children boxes.

Board Members

As of June 23, 2023



1 Yasunori Tsujita

Director and Chairman

Apr. 1981 Joined The Fuji Bank, Limited

June 2013 Deputy President-Executive Officer, Member of the Board of Directors (Representative Director) of Mizuho Financial Group, Inc. (until June 2014)

Nov. 2013 Deputy President-Executive Officer, Member of the Board of Directors of Mizuho Bank, Ltd. (until March 2015)

June 2014 Member of the Board of Directors, Deputy President and Executive Officer (Representative Executive Officer) of Mizuho Financial Group, Inc. (until March 2015)

Apr. 2015 Member of the Board of Directors of Mizuho Financial Group, Inc. (retired in June 2015)

May 2015 Vice President and Executive Officer of the Company

June 2015 Director and Deputy President, Vice President and Executive Officer, Representative Director of the Company

Apr. 2016 President and Chief Executive Officer, President and Executive Officer, Representative Director of the Company

Apr. 2022 Director and Chairman of the Company (current position)

2 Hiroaki Oda

President and Chief Executive Officer (Representative Director)

Apr. 1986 Joined The Fuji Bank, Limited

May 2009 General Manager of Kanda Corporate Division of Kanda Branch of Mizuho Bank, Ltd.

June 2011 General Manager of Kudan Division No.1 of Kudan Branch of Mizuho Bank, Ltd.

Apr. 2013 General Manager of Corporate Banking Division No.11 of Mizuho Corporate Bank, Ltd.

Apr. 2014 Executive Officer, General Manager of Corporate Banking Division No.11 of Mizuho Bank, Ltd. (retired in April 2016)

May 2016 Managing Executive Officer of the Company

Apr.2021 Deputy President and Executive Officer of the Company

June 2021 Director and Deputy President, Vice President and Executive Officer, Representative Director of the Company

Apr. 2022 President and Chief Executive Officer, President and Executive Officer, Representative Director of the Company (current position)

3 Soichi Hosoi

Director and Deputy President (Representative Director)

Apr. 1983 Joined The Fuji Bank, Limited

Apr. 2013 Executive Officer, General Manager of Financial Planning Division of Mizuho Financial Group, Inc. (retired in April 2014)

Executive Officer, General Manager of Financial Planning Division of Mizuho Bank, Ltd. (retired in April 2014)

Executive Officer, General Manager of Financial Planning Division of Mizuho Corporate Bank, Ltd. (until July 2013)

Apr. 2014 Managing Executive Officer of the Company

June 2014 Managing Director, Managing Executive Officer of the Company

Apr.2020 Senior Managing Director, Senior Managing Executive Officer of the Company

Apr.2022 Director and Deputy President, Vice President and Executive Officer, Representative Director of the Company (current position)

4 Keiji Takada

Director and Deputy President (Representative Director)

Apr. 1984 Joined The Fuji Bank, Limited

Apr. 2010 General Manager of Corporate Banking Division No.13 of Mizuho Corporate Bank, Ltd. (retired in March 2012)

Apr. 2012 General Manager of Corporate Business Division of the Company

Apr. 2014 Executive Officer, General Manager of Corporate Business Division of the Company

Apr. 2016 Managing Executive Officer of the Company

Apr. 2020 Senior Managing Executive Officer of the Company

June 2020 Senior Managing Director, Senior Managing Executive Officer of the Company

Apr. 2022 Director and Deputy President, Vice President and Executive Officer, Representative Director of the Company (current position)

5 Yusuke Kishida

Senior Managing Director

Apr. 1986 Joined Fuji Bank, Limited

Apr. 2012 Deputy General Manager, Financial Planning Department of Mizuho Financial Group, Inc.

Deputy General Manager, Planning Administration Department of Mizuho Bank, Ltd.

Deputy General Manager, Financial Planning Department of Mizuho Corporate Bank, Ltd.

July 2013 General Manager, Internal Audit Department of Mizuho Financial Group, Inc. (left office in March 2016)

Apr. 2016 Administrative Officer, General Affairs Division of the Company

Apr.2018 Executive Officer, General Manager of Financial Planning Division of the Company

Apr.2021 Managing Executive Officer of the Company

Apr.2022 Senior Managing Executive Officer of the Company

June 2022 Senior Managing Director, Senior Managing Executive Officer of the Company (current position)

6 Seiichi Isshiki

Director Outside Independent

Apr. 1972 Joined Nippon Oil Corporation

Apr. 2008 Representative Director of ENEOS Celltech Co., Ltd.

June 2012 Representative Director, President of JX Nippon Oil & Energy Corporation (currently ENEOS Corporation)

Director of JX Holdings, Inc. (currently ENEOS Holdings, Inc.)

June 2014 Advisor of JX Nippon Oil & Energy Corporation (currently ENEOS Corporation) (retired in June 2016)

June 2015 Director of the Company (current position)

7 Hideo Ichikawa

Director Outside Independent

Apr. 1975 Joined Showa Denko K.K (currently Resonac Holdings Corporation)

Jan. 2011 Representative Director, President, Corporate Officer and Chief Executive Officer (CEO) Showa Denko K.K (currently Resonac Holdings Corporation)

Jan. 2017 Representative Director, Chairman of the Board Showa Denko K.K (currently Resonac Holdings Corporation)

June 2018 Director of the Company (current position)

Mar. 2020 Director, Chairman of the Board of Showa Denko K.K (currently Resonac Holdings Corporation)

Jan. 2022 Director of Showa Denko K.K (currently Resonac Holdings Corporation)

Mar. 2022 Corporate advisor of Showa Denko K.K (currently Resonac Holdings Corporation) (current position)

8 Masayuki Yamamura

Director Outside Independent

Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation

June 2008 Executive Vice President, General Manager of Tokyo Branch of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

June 2009 Executive Vice President, Senior Executive Manager of Network Business Headquarters of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

June 2012 President, Representative Director of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

June 2018 Counselor to the President of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (current position)

June 2019 Director of the Company (current position)

9 Hiroko Matsumoto

Director Outside Independent

Apr. 1983 Joined Toshiba Corporation

Apr. 2012 Head of Strategic Design Promotion Division of Design Center of Toshiba Corporation (retired in March 2014)

Specially appointed professor at Joshibi University of Art and Design

Apr. 2014 Professor of Joshibi University of Art and Design (current position)

June 2015 Director of Aisys, Inc. (retired in May 2019)

June 2017 Head of Career Support Center of Joshibi University of Art and Design (retired in May 2019)

June 2019 Head of Department of Art and Design of Joshibi University of Art and Design (retired in May 2021)

Administrator of Joshibi University of Art and Design (current position)

June 2021 Vice-President of Joshibi University of Art and Design (current position)

Head of Research Institute of Joshibi University of Art and Design (current position)

Director of the Company (current position)

10 Yoshito Tsuruta

Full-time Audit & Supervisory Board Member

Sep. 1988 Joined the Company

Apr. 2008 General Manager of Finance Division of the Company

Apr. 2015 Executive Officer, General Manager of Finance Division of the Company

June 2020 Full-time Audit & Supervisory Board Member of the Company (current position)

11 Masaharu Nakamura

Full-time Audit & Supervisory Board Member

Apr. 1985 Joined the Company

Oct. 2001 Inspector, Credit Division of the Company

Oct. 2012 Deputy General Manager, Credit Division of the Company

Apr. 2017 Director and General Manager, Credit Division of the Company

Apr. 2019 Executive Officer and General Manager, Real Estate Planning Division of the Company

Apr. 2021 Executive Officer and General Manager, Group Internal Audit Division of the Company

Apr. 2022 Counselor of the Company

June 2022 Full-time Audit & Supervisory Board Member of the Company (current position)

13 Hiroshi Imoto

Audit & Supervisory Board Member Outside Independent

Apr. 1981 Joined the Export-Import Bank of Japan (currently the Japan Bank for International Cooperation)

Oct. 2008 General Manager of International Management and Planning Division and Manager of International Management and Planning Office of Japan Bank for International Cooperation

Jan. 2011 Director General for Western Japan of Japan Bank for International Cooperation

July 2011 Western Japan Representative for Industry Finance Department of Japan Bank for International Cooperation

Apr. 2012 Full-time Corporate Auditor of Japan Bank for International Cooperation (retired in June 2016)

June 2021 Outside Audit & Supervisory Board Member of the Company (current position)

12 Takashi Yonekawa

Audit & Supervisory Board Member Outside Independent

Apr. 1982 Joined Yasuda Fire and Marine Insurance Co., Ltd. (currently Sampo Japan Insurance Inc.)

Apr. 2016 Director, Managing Executive Officer, Head of Kansai Division I of Sampo Japan Nipponkoa Insurance Services Inc. (currently Sampo Japan Insurance Inc.)

Apr. 2018 Senior Executive Officer, Head of Kansai Division I of Sampo Japan Nipponkoa Insurance Services Inc. (currently Sampo Japan Insurance Inc.)

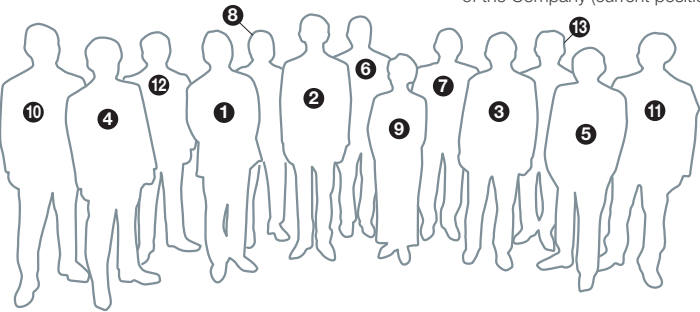
Apr. 2020 Vice-President and Executive Officer, Sampo Japan Insurance Inc. (retired in June 2020)

June 2020 Audit & Supervisory Board Member of TPR Co., Ltd. (current position)

July 2020 President of Yasuda Nipponkoa Health Insurance Union (current position)

Chairman of Tokyo Federation of National Federation of Health Insurance Societies (current position)

June 2021 Outside Audit & Supervisory Board Member of the Company (current position)



To achieve the Fuyo Lease Group’s ideal state, I will accurately anticipate future possibilities and risks and fulfill my role as an Outside Director.



Outside Director
Hideo Ichikawa

Five years have passed since I assumed the position of Outside Director of the company. Since I took on this position, there have been three areas where I have strived to fulfill my role as an Outside Director. Firstly, I have continuously provided stimulation to those executing management, conveying opinions from the perspective of shareholders and investors to achieve medium- to long-term targets and maximize corporate value. Next, I advise from an external perspective, leading to discussion not bound by the Group’s internal conventions. Finally, I recognize the signs of non-compliance and issue accurate warnings.

A More Effective Board of Directors with a Deeper Long-term Perspective

Looking back over the past five years, I feel that the effectiveness of the Company’s Board of Directors has markedly improved. Firstly, the lineup of Outside Directors, which had previously been comprised entirely of people from the energy or materials fields, has now been expanded to include those with

backgrounds in telecommunications and, since last year, in education, thereby increasing the diversity of knowledge and career histories and creating a system that makes it possible to discuss issues from a variety of perspectives than before. Furthermore, briefings for Outside Directors have become more substantial, and there are more opportunities for direct dialogue with people on the front lines, such as the general managers and deputy managers of the departments making proposals, which has deepened Outside Directors’ understanding of the

Fuyo Lease Group’s business. Amid these changes, in addition to immediate business results and execution of strategies, the Board of Directors had more opportunities to discuss medium- to long-term strategies and the possibilities of new business strategies, which I feel has led to more substantive discussion. For the Medium-Term Management Plan, Fuyo Shared Value 2026, in particular, I was able to take part in discussions from the initial examination stage. I heard from general managers from various domains and was presented with the opportunity for discussion about the formulation of business domain strategies, and I feel I was able to engage in the Group’s strategy formulation process. I highly commend the significant change of separating the chair of the Board of Directors from the position of president, which is the ultimate position of responsibility for management. Conventionally, the president had been in charge of chairing the Board of Directors, so while facilitating agenda proceedings, the president would also have to answer questions from Directors and Audit & Supervisory Board Members, now that there is a system where a non-executive officer is the chair, discussion has become more interactive as the chair can make suggestions to those executing management. Looking back at my personal experience working as a chief executive officer at Showa Denko K.K (currently Resonac Holdings Corporation), I thought it was extremely important to separate the supervisory functions and execution functions for the Board of Directors to function sufficiently, so I think the Company has changed to have sounder Board of Directors operations.

Looking at the First Year of the New Management System as an Outside Director

President Oda assumed the position of president last year. Looking at the management over this past year, President Oda has made some highly impressive statements with impact and I feel he has the ability to spread his philosophy among individual employees. Top management want to make all kinds of statements, but always conveying the same message is extremely important to spread the thoughts of top management among employees. The president and other members of the executive management team have continued to communicate activities to raise employees’ awareness in a variety of settings, and I feel that the awareness of CSV, of “resolving social issues while at the same time delivering economic value,” has taken deep root among employees. To achieve sustainable growth as a corporate group and gain recognition from society, in addition to achieving performance targets, it is essential to clearly position the creation of social value through business as a management indicator, steadily implement strategies and continue to clearly communicate initiatives and results both internally and externally.

An Upcoming Challenge with Great Expectations of an Unprecedented Place

The Fuyo Lease Group has expanded its business domains significantly beyond the general leasing business, and there is a significant challenge in creating new domains within the wide blue ocean after emerging from the fierce competition of existing markets. The BPO and Mobility businesses have broadened those possibilities but taking on the challenge to leap even further is crucial. The key to achieving that is development and utilization of human resources. More than ever before, we are required to acquire and develop talented human resources on our own. In addition to increasing experienced hires, it is indispensable to develop human resources with diverse strengths by advancing personnel transformation, such as the utilization of female employees and bold selection of younger employees. Furthermore, regarding management class human resources, it would be useful to discuss succession plans for the medium- to long-term future in settings such as the Nomination and Compensation Advisory Committee. For even further developments it is important that we ask ourselves where the Group’s source of competitiveness lies, and entrench that. We should continue to pursue how to develop unique business models and acquire a unique competitive edge, and the Fuyo Lease Group should expand its business beyond leasing into new and uncharted domains. The Board of Directors should also take a more macro perspective in discussion to identify “Where No One Has Gone Before.” I hope to do my part by presenting possible ideas and insight.



Corporate Governance

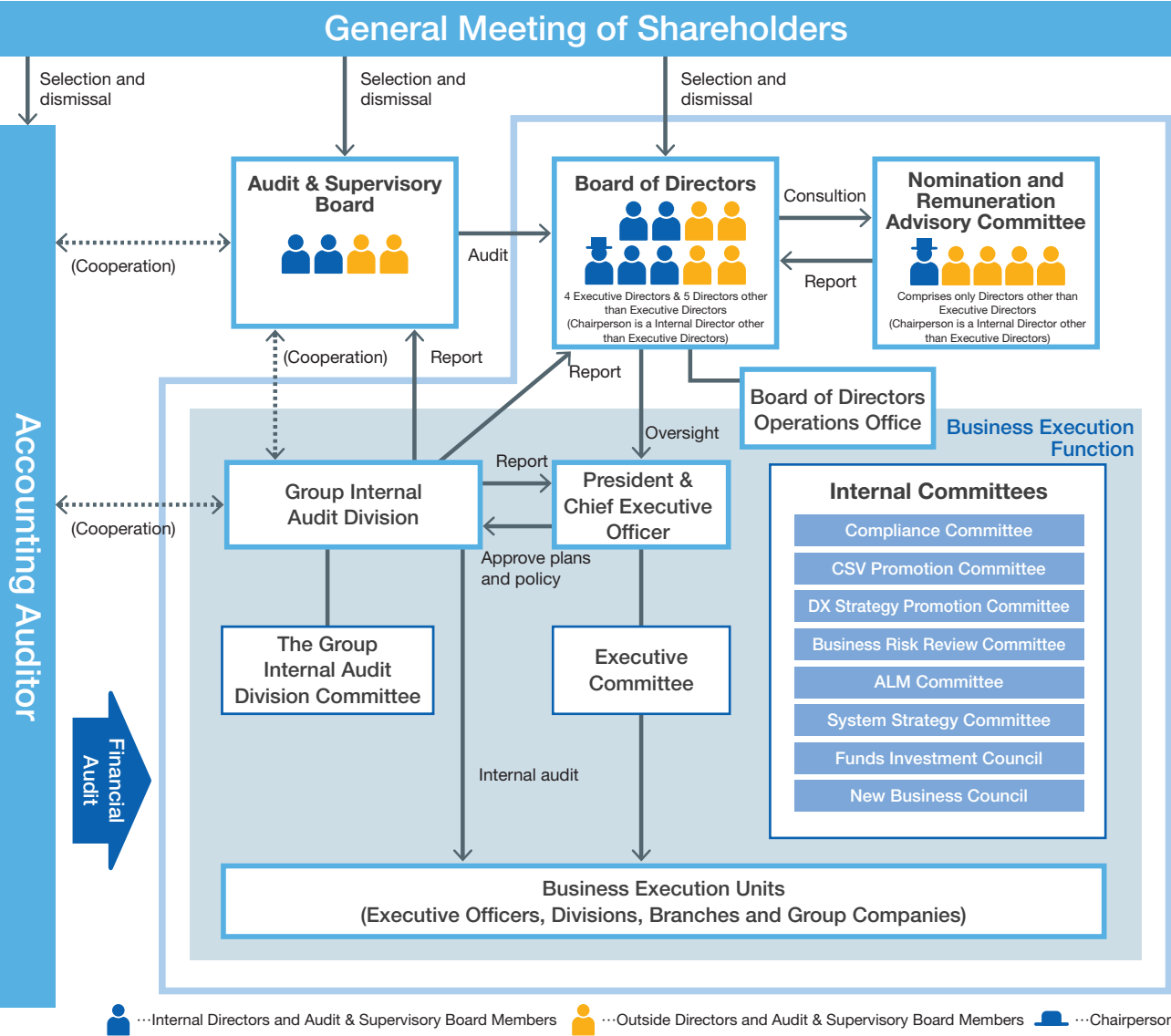
Corporate Governance Approach and Structure

The Fuyo Lease Group places strong emphasis on creating and maintaining relationships with various stakeholders, including shareholders, customers, employees, and local communities. We believe that the fundamental and most important objective of corporate governance is to perform business activities with sincerity and fairness in line with the Group's Mission, Vision and Value and to achieve the management targets outlined in the Group's Medium-Term Management Plan, Fuyo Shared Value 2026 for fiscal years 2022 through 2026. To achieve sustainable growth and increase corporate value over the medium to long term, we have established our own Corporate Governance Guidelines which align with the purpose

and spirit of the Japan's Corporate Governance Code. These Guidelines serve as the foundation for our corporate governance framework, operating policies and other management policies, to which we adhere in everything we do. Fuyo General Lease (Fuyo Lease) employs the format of a company with an Audit & Supervisory Board. It has two Outside Audit & Supervisory Board Members who are independent from our company. In addition, to further improve the supervisory function of the Board of Directors, four Independent Outside Directors are appointed to supervise and advise on execution of operations from an outside perspective.

Our Approach to Corporate Governance

Corporate Governance Structure (Fuyo General Lease Co., Ltd)



Strengthening Corporate Governance

Fuyo Lease has implemented various initiatives aimed at strengthening corporate governance. Initiatives from 2015 onward are as follows.

Year	Initiative	Objective
2015	<ul style="list-style-type: none">Increased the number of Independent Outside Directors from one to twoEstablished the Corporate Governance GuidelinesSet up the Nomination and Remuneration Advisory Committee	<ul style="list-style-type: none">To strengthen the management oversight structureTo comply with the Japanese Corporate Governance CodeTo ensure independence and objectivity in the decision-making process for matters such as nomination and remuneration
2016	<ul style="list-style-type: none">Started analyzing and evaluating the overall effectiveness of the Board of Directors	<ul style="list-style-type: none">To verify the effectiveness of roles, functions, etc. of the Board of Directors and to make ongoing improvements
2018	<ul style="list-style-type: none">Increased the number of Independent Outside Directors from two to threeIntroduced a stock compensation plan (Board Benefit Trust, BBT)	<ul style="list-style-type: none">To strengthen the management oversight structureTo strengthen links between Board Remuneration, shareholder value, and achievement status of the Medium-term Management Plan
2019	<ul style="list-style-type: none">Released an English version of the Corporate Governance ReportBegan reporting annual internal audit results and annual plans and policies to the Board of Directors	<ul style="list-style-type: none">To enhance external disclosure related to corporate governanceTo expand reporting lines for internal audits
2021	<ul style="list-style-type: none">Increased the number of Independent Outside Directors from three to fourRevised Corporate Governance Guidelines	<ul style="list-style-type: none">To strengthen the management oversight structureTo comply with the revised Japanese Corporate Governance Code
2022	<ul style="list-style-type: none">Appointed a non-executive Director as chair of the Board of Directors and comprised the Nomination and Remuneration Advisory Committee of non-executive DirectorsRegarding indicators used for the calculation of performance-linked compensation based on the new medium-term management plan, changes were made to financial items and non-financial items were added.	<ul style="list-style-type: none">Separation of execution and supervisionTo ensure the achievement of financial and non-financial targets in the new medium-term management plan

Board of Directors

FY2022 Attendance rate
12 meetings 100 %

The Board of Directors is chaired by a non-executive internal Director and at least one-third of the board members are Independent Outside Directors. Additionally, non-executive Directors make up at least half of the board, ensuring a separation between execution and supervision. The Board of Directors deliberates and decides on important matters such as management plans and risk management, as well as matters stipulated by laws and regulations, and supervises the execution of duties by Directors and Executive Officers through monthly management reports and regular reports for each business domain.

Nomination and Remuneration Advisory Committee

Fiscal 2022 Attendance rate
5 meetings 100 %

Fuyo Lease has set up the Nomination and Remuneration Advisory Committee as a voluntary advisory body of the Board of Directors to ensure objectivity and independence in the process of determining nomination of officers, remuneration, etc. The members and Chair of the Committee are non-Executive Directors. The Committee deliberates on the nomination of candidates for appointment as Directors or Audit and Supervisory Board members or removal thereof, remuneration for Directors, succession plans for President & CEO, and the analysis and evaluation of overall effectiveness of the Board of Directors. The Committee then reports its findings to the Board of Directors. The content of such findings is determined based on the consent of all members present at the meeting, or when such consent may not be obtained, on the consent of a majority of the members present at the meeting.

Audit & Supervisory Board

FY2022 Attendance rate
13 meetings 100 %

According to an audit plan prepared by the Audit & Supervisory Board, each Audit & Supervisory Board Member audits the execution of duties by Directors by attending important meetings, inspecting important documents, examining operations and assets and by hearing the audit findings of the Group Internal Audit Division. Audit & Supervisory Board Members work closely with the Group Internal Audit Division and internal control departments to enhance audit quality. At the request of an Audit and Supervisory Board member, an employee (a staff member from the Board of Directors Operations Office) has been appointed to assist them.

Internal Committees

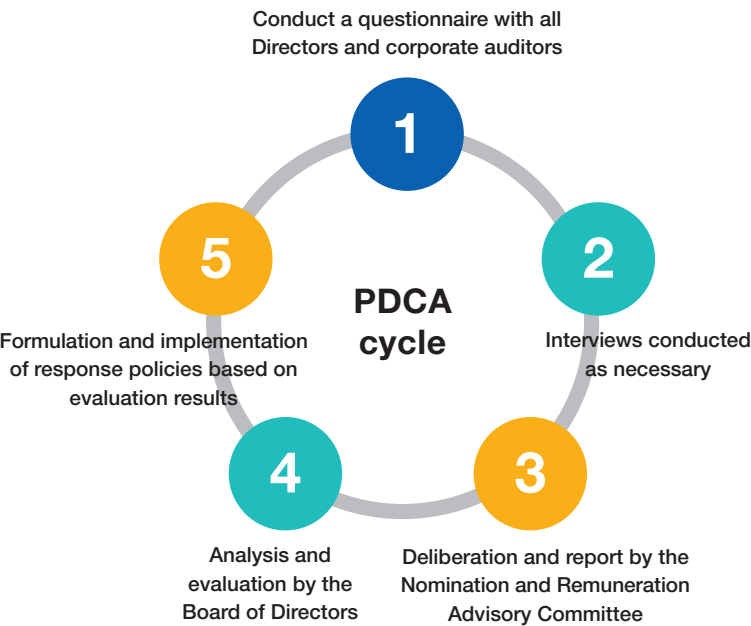
Compliance Committee	The Compliance Committee discusses matters related to the promotion of compliance systems and the formulation of compliance programs (annual plan).
CSV Promotion Committee	The CSV Promotion Committee directs CSV promotion and deliberates on materiality planning, etc.
DX Strategy Promotion Committee	The DX Strategy Committee directs overall DX strategies and deliberates on the development of frameworks for the promotion of the strategies and necessary IT systems and the formulation of sales strategies.
Business Risk Review Committee	Business Risk Review Committee deliberates on projects that have a significant influence on management and policies for initiatives regarding business models and monitors the status of business risk, including credit risk.
ALM Committee	ALM Committee deliberates on specific measures for market risk management, including interest rates, foreign exchange and price fluctuations and monitors market risk situations.
System Strategy Committee	System Strategy Committee discusses and promotes overall strategies for the Company's IT systems.
Funds Investment Council	The Funds Investment Council deliberates on the establishment of investment limits regarding investment projects related to funds and monitors management status.
New Business Council	New Business Council deliberates on new projects that may generate new business fields.
The Group Internal Audit Division Committee	The Group Internal Audit Division Committee shares information, advises Group companies and promotes collaboration among the Group Internal Audit Divisions

Initiatives to Improve the Effectiveness of the Board of Directors

Fuyo Lease is engaged in a number of initiatives to ensure active and substantial discussions at its Board of Directors’ meetings. Regarding the analysis and evaluation of the overall effectiveness of the Board of Directors, the Company conducted a questionnaire with all Directors and Audit & Supervisory Board Members as the target audience and held interviews as

necessary. After deliberations and reporting by the Nomination and Remuneration Advisory Committee (the Company’s corporate lawyers assist the secretariat for the Committee), of which Independent Outside Directors comprise the majority, the results of the analysis and evaluation were resolved by the Board of Directors.

Evaluation process (corporate lawyers assist the secretariat)



Assessment Criteria

- 1 Composition, etc. of the Board of Directors
- 2 Roles of the Board of Directors
- 3 Operation of the Board of Directors
- 4 Frameworks for supporting Outside Directors
- 5 Summary

Evaluation Results

The effectiveness of the Board of Directors was confirmed as its size, composition, functions, roles, operation, and all other evaluation items were recognized to be appropriate. It is necessary to continue to steadily promote and further establish measures to improve the functions of the Board of Directors and to constantly review the Board of Directors in response to changes in the internal and external environment.

Issues in Previous Fiscal Year	Details
Further improvement of the Board of Directors' functions	<ul style="list-style-type: none">Changed the Chairperson of the Board of Directors from being the President and Chief Executive Officer, the top execution position to a non-executive Director (The Director and Chairperson, a non-executive internal Director, assumed the role of the Chair of the Board of Directors following passage of a resolution by the Board.)Transferred authority to execution by reviewing the criteria for submission stipulated in the Regulations governing the Board of Directors.Started initiatives in the Nomination and Remuneration Advisory Committee to advance succession planning.
Steady progression was made on the Medium-Term Management Plan and further deepening of CSV management	<ul style="list-style-type: none">The Board of Directors received reports and deliberated on the progress status updates from each business domain, achievement status of each non-financial target and progress of the DX strategy, etc.Conducted a management audit to measure the degree of Mission, Vision and Values prevalent within the Group.
Further enhanced information provision to Outside Directors	<ul style="list-style-type: none">Conducted Outside Director workplace inspection tours (twice in total) that had been delayed by the impact of the COVID-19 pandemic.

Future Issues and Initiatives

We recognized as issues that need to be addressed as continuing to advance the succession plan, enhancing deliberation further on medium- to long-term themes and CSV manage-

ment and the need to better provide information to Outside Directors.

Director Qualifications and Nomination Procedures

1 Policy and procedures for nominating and removing Directors and nominating candidates for Audit & Supervisory Board Member

Our Corporate Governance Guidelines set forth procedures for nominating and removing Directors in addition to the qualifications of Audit & Supervisory Board Members and procedures for nominating Audit & Supervisory Board Member candidates. Under these guidelines, a Director or Audit & Supervisory Board Member candidate must possess an outstanding character, a wide breadth of knowledge, abilities, experience, and high ethical standards. The guidelines also specify that candidates be nominated regardless of factors such as sex, age, and nationality, with the aim of achieving greater diversity. To ensure fairness and transparency in the nomination process, the selection of candidates for Directors and Audit & Supervisory Board

Members is finalized by the Board of Directors following a discussion by the Nomination and Compensation Advisory Committee, which is comprised of majority Independent Outside Directors. Selection of Audit & Supervisory Board Member candidates is finalized by the Board of Directors upon consent of the Audit & Supervisory Board.

2 Independence standards for Outside Directors and Outside Audit & Supervisory Board Members

Independence standards for Outside Directors and Outside Audit & Supervisory Board Members are stipulated in the Corporate Governance Guidelines in line with the independence standards prescribed in the Guidelines Concerning Listing Management, etc. established by the Tokyo Stock Exchange.

Skills Matrix

The chart below shows the areas where each Director and Audit & Supervisory Board Member is particularly expected to contribute significantly. This takes into account their expertise and experience, etc., to steadily implement and achieve the goals of the Medium-Term Management Plan.

					Areas Particularly Expected to Contribute (A maximum of four are listed)						
	Name	Position, etc. and status of execution of duties	Nomination and Remuneration Advisory Committee	Years in office	Corporate management (industry)	Finance and accounting	Global business	IT and technology	Human resources development	Internal control and management	
Director	Yasunori Tsujita	Director and Chairman Chairperson of the Board of Directors	Chairperson	8 years	<div><div></div>Finance (bank/leasing)</div>			<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
	Hiroaki Oda	President and Chief Executive Officer (Representative Director) President and Executive Officer		2 years	<div><div></div>Finance (bank/leasing)</div>		<div><div></div></div>				
	Soichi Hosoi	Director and Deputy President (Representative Director) Vice President and Executive Officer		9 years	<div><div></div>Finance (bank/leasing)</div>	<div><div></div></div>	<div><div></div></div>			<div><div></div></div>	
	Keiji Takada	Director and Deputy President (Representative Director) Vice President and Executive Officer		3 years	<div><div></div>Finance (leasing)</div>		<div><div></div></div>				
	Yusuke Kishida	Senior Managing Director Senior Managing Executive Officer		1 year	<div><div></div>Finance (leasing)</div>	<div><div></div></div>				<div><div></div></div>	
	Seiichi Isshiki	Director <div><div>Outside</div><div>Independent</div></div>	Member	8 years	<div><div></div>Resources and energy</div>	<div><div></div></div>		<div><div></div></div>		<div><div></div></div>	
	Hideo Ichikawa	Director <div><div>Outside</div><div>Independent</div></div>	Member	5 years	<div><div></div>Chemical manufacturing</div>		<div><div></div></div>		<div><div></div></div>	<div><div></div></div>	
	Masayuki Yamamura	Director <div><div>Outside</div><div>Independent</div></div>	Member	4 years	<div><div></div>Telecommunications and technology</div>	<div><div></div></div>		<div><div></div></div>		<div><div></div></div>	
	Hiroko Matsumoto	Director <div><div>Outside</div><div>Independent</div></div>	Member	2 years	<div><div></div>University education and industry-government-academia partnership and product design</div>				<div><div></div></div>		
Audit & Supervisory Board Members	Yoshito Tsuruta	Full-time Audit & Supervisory Board Member		3 years	<div><div></div>Finance (leasing)</div>	<div><div></div></div>					
	Masaharu Nakamura	Full-time Audit & Supervisory Board Member		1 year	<div><div></div>Finance (leasing)</div>	<div><div></div></div>				<div><div></div></div>	
	Takashi Yonekawa	Audit & Supervisory Board Member <div><div>Outside</div><div>Independent</div></div>		2 years	<div><div></div>Finance (insurance)</div>	<div><div></div></div>	<div><div></div></div>		<div><div></div></div>		
	Hiroshi Imoto	Audit & Supervisory Board Member <div><div>Outside</div><div>Independent</div></div>		2 years	<div><div></div>Finance (international finance)</div>		<div><div></div></div>		<div><div></div></div>	<div><div></div></div>	

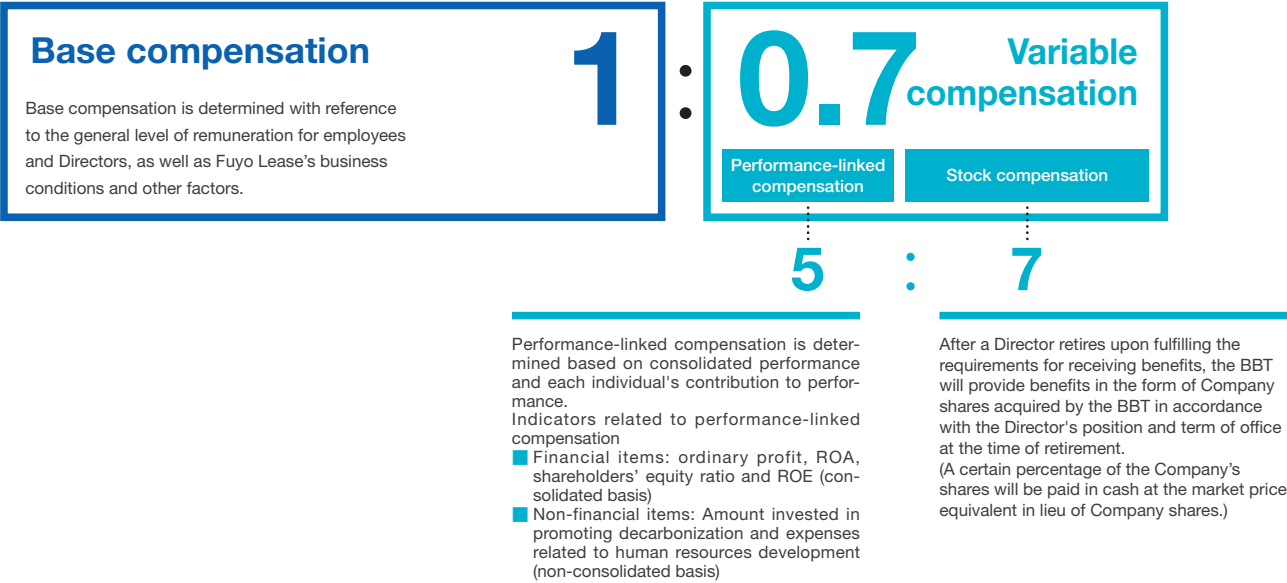
(Note) 1. The above table does not show all the insight and experience held by each Director and Audit & Supervisory Board Member.
2. Of the 13 Directors and Audit & Supervisory Board Members, 12 are male and 1 is female. Years in office are calculated based on the number of months.

Director Remuneration

Fuyo Lease has a basic policy to link Director remuneration to corporate performance and shareholder value to boost their morale and motivate them to improve the Company's financial performance and share price, ensuring stable performance and growth, while enhancing corporate value. Regarding determination of remuneration for individual Directors, the basic policy is to set it at an appropriate level, taking into account each Director's respective responsibilities and other factors. The Company has introduced performance-linked compensation and stock-based compensation (Board Benefit Trust (BBT)) as variable compensation systems, in addition to base compensation provided as fixed compensation. The amount of performance-linked compensation is determined based on factors such as consolidated performance, degree of contribution to Company performance and efforts to address medium- to long-term management issues. Performance-linked compensation is determined according to consolidated business performance and contribution made by each officer to the performance. The stock compensation plan is designed to further clarify the link between officers' compensation and

the value of the Company's shares and to further raise officers' awareness of contributing to improving business performance and increasing corporate value over the medium to long term. Taking into consideration the average ratio of remuneration in listed companies and other factors, the ratio of remuneration and the breakdown of variable compensation are as shown in the chart below. Directors' remuneration is discussed by the Nomination and Compensation Advisory Committee to ensure greater transparency and objectivity. Internal Directors who do not execute operations are paid fixed compensation and stock-based remuneration, while Audit & Supervisory Board Members and Outside Directors who have supervisory functions are paid fixed compensation only because the concept of performance-based compensation and stock compensation is not suitable for the nature of their duties. Fuyo Lease stipulates in its internal rules that if a Director causes significant damage to the Company or engages in inappropriate conduct, etc., the Director will be subject to a reduction or non-payment of their base compensation or performance-based compensation, or cancelation of their right to receive stock compensation.

Internal Director Remuneration Composition



Director Remuneration (FY 2022)

Officer classification	Total amount	Breakdown of remuneration			Number of Directors Applicable
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors	¥360 million	¥228 million	¥54 million	¥76 million	11
Outside Directors	¥48 million	¥48 million	—	—	4
Audit & Supervisory Board Members	¥66 million	¥66 million	—	—	5
Outside Audit & Supervisory Board Members	¥21 million	¥21 million	—	—	4

(Notes) 1. Performance-linked compensation is the amount that should be recorded as expenses in fiscal 2022.
2. Non-monetary compensation is a Board Benefit Trust (BBT). The amount of the BBT is the amount that should be recorded for the fiscal year under review based on the number of points granted or expected to be granted during the fiscal year.

Risk Management

As stipulated in the Fuyo Lease Group risk management regulations, we have established a risk management approach at our locations across the globe to manage risks based on their particular risk characteristics and importance. Risks to be managed are categorized into credit, market (such as interest rate fluctuation risk), liquidity (such as cash flow risk), administrative, system, legal, human, reputation, and other risks. Each type of risk is managed by a designated department.

The Board of Directors and the Executive Committee receive updates on risk management, discuss risk management policies according to the characteristics and importance of each risk, and evaluate the effectiveness of risk management. The Asset and Liability Management (ALM) Committee meets on a regular basis to appropriately manage and control market and liquidity risks. These efforts enable us to establish an appropriate risk management approach, prevent the occurrence of risks, and minimize their impact when they do materialize.

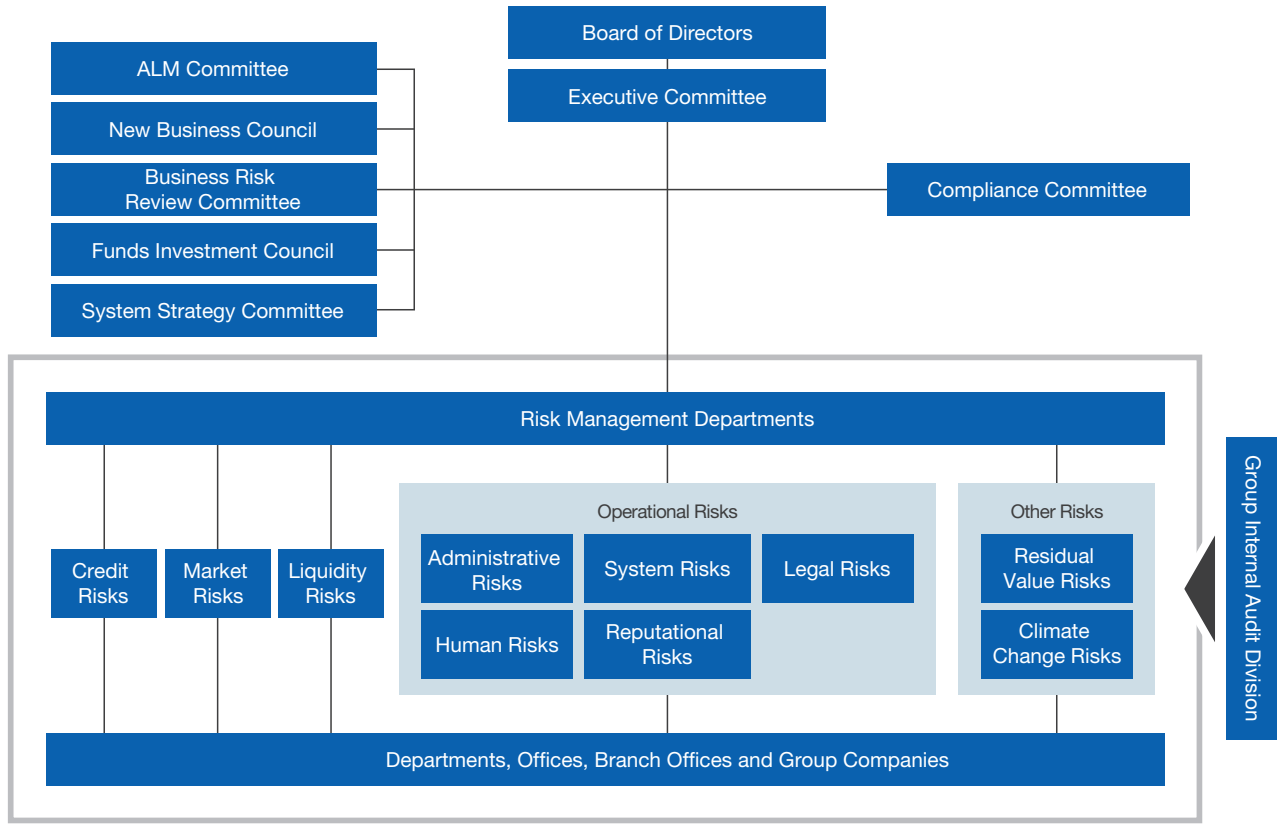
For risk events that may affect the Group' business, the Group has sought to comprehensively identify risks facing each Group business, considered the scale and characteristics of the identified risks while making sure to include risks in each

business domain, such as economic downturns, market fluctuations, and downturns in individual markets.

In addition, as a risk governance system for the entire group, we have established a "Three-Line Defense System" based on risk management by each business unit (first line), risk management by the risk control department and the department in charge of risk (second line), and verification by the internal audit department (third line).

The designated risk management division formulates a basic policy for managing risks identified as targets, and conducts an appropriate analysis, evaluation and measurement of risks according to the size and characteristics of the relevant business and risk profiles. In addition, the designated risk management division monitors the status of risks held from an independent perspective, reports the results of monitoring to the Executive Committee, etc., and implements supervision of sales and marketing divisions with an approach geared to the situation. Moreover, the risk control division has established integrated risk management systems to promote risk management by comprehensively identifying and evaluating risks by risk category, and to control risks with the scope of management capabilities.

Risk Management System



Risks in Business Operations

Listed below are the main factors that could pose risks to the development of the Group’s business and have a significant impact on the decisions of investors. The forward-looking statements here represent the judgment of the Group’s man-

agement as of the date that its annual securities report was submitted (June 27, 2023). The following is not an exhaustive list of all the risks that could affect investment in the Company’s shares.

Risk Factors in Business Development	
Risks relating to changes in capital expenditure trends and other factors	Credit risks
Risks relating to changes in factors such as interest rates, exchange rates, share prices and financing	Risks relating to changes in regulatory systems
Risks relating to strategic partnerships and corporate acquisitions	Risks from natural disasters or other causes
Risks relating to business strategies	Risks relating to overall business operations
Decline in the value of assets in Real Estate, Aircraft, and Mobility businesses	Administrative risks
Changes in the amount of power generated in the renewable energy generation business	System risks
Delays in delivery and deterioration of business quality in BPO services	Human risks relating to developing and securing human resources
Changes in overseas political and economic conditions in overseas business	Compliance risks
Cyber security risks and information security risks	Other medium- and long-term risks
	Climate change risks

* Please refer to our annual securities report for details on each section.

Response to Risks

The Fuyo Lease Group assumes various risks that may arise in the course of business development and is implementing measures to counter these risks. Details of the business risks for the Group are disclosed in our annual securities report, and major counter-measures are described below.

Risks Related to Information Security

With unauthorized access to information via the Internet as well as cyber-attacks increasing daily and becoming more sophisticated, the Group recognizes that information security risks are an important management issue. In order to establish a strict information management system for the entire Group, data is strictly controlled by our information security manager in accordance with detailed rules, including the Confidential Information Management Rule. Additionally, each employee is thoroughly informed of the Management of Information Assets and Respect for Intellectual Property Rights section included in the Fuyo Lease Group Basic Compliance Policy as well as the Privacy Policy, and we have implemented level-specific information security training programs. In fiscal 2022, we provided training on confidential information management and personal data protection to 1st year employees (Generalist track).

Risks Related to Disasters, etc.

The Fuyo Lease Group has developed a system for responding to emergencies. In the event of a large-scale disaster or emergency, the emergency response task force under the direction of the president will take measures necessary for ensuring safety and continuity of our operations in accordance with the BCP Fundamental Principle and the Emergency Preparedness Regulations. We also conduct regular drills to promote the minimization of damage and ensure business continuity. Moreover, in fiscal 2020, we standardized disaster stockpiles at all Group companies following the relocation of our headquarters and identified the highest priority business operations in our Group companies. In fiscal 2021, we launched a liaison meeting for information sharing with the persons in charge of disaster pre-

vention at our Group companies and have been strengthening collaboration for disaster response within the Group by holding meetings four times a year.

COVID-19

Against the backdrop of the spread of COVID-19, the Group’s Board of Directors and Executive Committee discussed ways to deal with infection risks in business activities and the impact of these risks on business performance. To deal with the risk of infection in our business activities, we established the COVID-19 Emergency Response Task Force under the direction of the President, and we engaged in initiatives based on the Group’s Basic BCP Principles. We ensured that all employees and directors understood and adhered to rules for preventing infection, such as mobile working, working from home, flexible working hours, reducing overtime, monitoring health and avoiding commutes when unwell. If we found the event of a confirmed or suspected COVID-19 case in the Group, we also promptly reported the incident within the company, responded by consulting and receiving medical examinations from medical institutions and giving instructions to remain at home, and performed the required cleaning and disinfection. These initiatives ensured that we prevented the spread of COVID-19 and did our utmost to keep our employees and their families healthy, as well as prioritized the prevention of negative effects on the business continuity of our customers. In accordance with the reclassification of COVID-19 under the Infectious Disease Control Law, the COVID-19 Emergency Response Task Force was disbanded as of May 8, 2023, and the records of its activities and other information were reported to the Board of Directors.

Compliance

Our Approach to Compliance and Compliance System

At the Fuyo Lease Group, ensuring compliance is a fundamental principle of management. We work to strengthen and enhance our compliance system, which enables us to operate with integrity and fairness by not violating social norms, while strictly complying with all laws and regulations. We promote compliance throughout the Group by stipulating various regulations, procedures, and manuals, conducting compliance education, and enhancing the whistleblower system on the basis of the Fuyo Lease Group Basic Compliance Policy. In order to maintain and further improve our compliance systems, we implement and carry out compliance programs every fiscal year. Issues associated with the compliance programs are discussed at the Compliance Committee, chaired by a Director and Deputy President (Representative Director), and the Executive Committee before being submitted to the Board of Directors for approval. Findings and progress reports of the programs are reported to the Board of Directors on a semi-annual basis and Directors provide supervision on the promotion of compliance. In addition, the Group Internal Audit Division conducts an annual audit of important issues in terms of compliance, such as legal compliance, and the results are used to improve initiatives and strengthen the system. We will continue our group-wide activities including conducting compliance practices and compliance education and streamlining our compliance systems across the Group to improve their effectiveness.

Fuyo Lease Group Basic Compliance Policy

The Fuyo Lease Group has formulated the Fuyo Lease Group Basic Compliance Policy, which specifies the basic policies and position of the entire group as well as behavioral guidelines for the employees of the Group. We conduct various training activities including e-learning programs to increase the effectiveness of the policy and instill the policy among our employees. Furthermore, the policy strictly prohibits the forging of collusive ties with political and administrative authorities and business partners, and the private use of the company’s assets. In fiscal 2022, no infringements related to corruption were found in the Group. Additionally, no employees were dismissed or subjected to disciplinary action due to corruption.

Fuyo Lease Group Basic Compliance Policy	
1 Compliance with Laws and Rules	Assets and Respect for Intellectual Property Rights
2 Respect for Human Rights	7 Appropriate Disclosure of Information
3 Commitment to Environmental Issues	8 Avoidance of Relations with Anti-Social Forces
4 Fair Business Activities	9 Political Involvement; Government Relations
5 Risk Management	
6 Management of Information	

* Please refer to our website for detailed contents.

Compliance Training

The Group emphasizes employee training programs that are designed to ensure compliance. Our training programs include workplace compliance training and e-learning on insider trading

regulations for all Group employees (including dispatch and contract employees), as well as group training conducted by external instructors for directors, heads of departments, offices and branch offices, presidents of Group companies, and departmental compliance officers. *

* A compliance officer is appointed for each department or company to raise compliance awareness and ensure compliance.

Compliance Training (FY2022)

Group training and workplace training		
Participant	Subject	# of sessions
New employees	Introduction to compliance, Fuyo Lease Group Basic Compliance Policy, exclusion of anti-social forces	1
1st year employee (generalist track)	Confidential information management, Personal information protection, Prevention of harassment, Insider trading regulations	1
4th year employee (generalist track)	Response to accidents and trouble	1
Newly appointed heads of departments/branch offices	Required compliance understanding of managers	2
Newly appointed assistant managers/section chiefs	Prevention of power harassment, sexual and maternity harassment	2
All employees (including contract and dispatch employees and part-time workers)	Prevention of power harassment	1
Directors and heads of departments/offices/branch offices	Prevention of harassment (sexual, power, discrimination related to pregnancy)	1

E-Learning

Participant	Subject	# of sessions
Directors, heads of departments/offices/branch offices, compliance officers, new employees	Regulation for insider trading (e-learning material of the Japan Exchange Group)	2
All employees	General issues on compliance	1

Whistleblower Hotline

The Fuyo Lease Group operates whistleblower hotlines. In addition to the in-house compliance hotline, we provide a consultation service desk through a cooperating law firm. These services are available on a regular basis and guidance to these services is always posted on the company’s intranet bulletin board. Concerned individuals can immediately seek consultation or report whenever they detect any violations of the law, the Code of Corporate Conduct and other corporate regulations, harassment cases, misconduct in information management or other potential infringements. The whistleblower systems accept anonymous reports to protect whistleblowers. At Fuyo Lease, full-time corporate auditors are appointed to accept reports from the Group companies, and the cooperating law firm is available for reports from the overseas affiliated companies. In fiscal 2022, 10 reports were received through the hotline. In each case, we contacted the relevant parties to confirm the facts, conducted investigations promptly with due care to protect whistleblowers from detrimental treatment, and handled the cases appropriately by means such as seeking advice from lawyers.

Independent Assurance Report



Translation

The following is an English translation of an independent assurance report prepared in Japanese and is for information and reference purposes only. In the event of a discrepancy between the Japanese and English versions, the Japanese version will prevail.

July 24, 2023

Independent Assurance Report

TO:
Mr. Hiroaki Oda
President and Chief Executive Officer
Fuyo General Lease Co., Ltd.

Takefumi Kawasaki
Yuji Ozawa
Engagement Partner
Ernst & Young ShinNihon LLC, Tokyo, Japan

We, Ernst & Young ShinNihon LLC, have been commissioned by Fuyo General Lease Co., Ltd (hereafter the “Company”) and have carried out a limited assurance engagement on the Key Environmental and Social Indicators (hereafter the “Indicators”) of the Company and its major subsidiaries for the year ended March 31, 2023 as included in the Fuyo Lease Group’s Integrated Report 2023 (hereafter the “Report”). The scope of our assurance procedures was limited to the Indicators marked with the symbol "✓" in the Report.

1.

The Company’s Responsibilities

The Company is responsible for preparing the Indicators in accordance with the Company’s own criteria, which it determined with consideration of Japanese environmental regulations as presented in the Report. Greenhouse gas (GHG) emissions are estimated using emissions factors, which are subject to scientific and estimation uncertainties given instruments for measuring GHG emissions may vary in characteristics, in terms of functions and assumed parameters.
2.

Our Independence and Quality Control

We have met the independence requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is based on the fundamental principles of integrity, objectiveness, professional competence and due care, confidentiality, and professional behavior.

In addition, we maintain a comprehensive quality control system, including documented policies and procedures for compliance with ethical rules, professional standards, and applicable laws and regulations in accordance with the *International Standard on Quality Management (ISQM) 1* issued by the International Auditing and Assurance Standards Board.
3.

Our responsibilities

Our responsibility is to express a limited assurance conclusion on the Indicators included in the Report based on the procedures we have performed and the evidence we have obtained.

We conducted our limited assurance engagement in accordance with the *International Standard on Assurance Engagements: Assurance Engagements Other than Audits or Reviews of Historical Financial Information - (“ISAE 3000”)* (Revised), and with respect to GHG emissions, the International Standard on Assurance Engagements: *Assurance Engagements on Greenhouse Gas Statements (“ISAE 3410”)*, issued by the International Auditing and Assurance Standards Board. The procedures, which we have performed according to our professional judgment, include inquiries, document inspection, analytical procedures, reconciliation between source documents and Indicators included in the Report, and the following:

 - Making inquiries regarding the Company’s own criteria which it determined with consideration of Japanese environmental regulations, and evaluating the appropriateness thereof;
 - Inspecting relevant documents with regard to the design of the Company’s internal controls related to the Indicators included in the Report, and inquiring of personnel responsible thereof at the Company visited;
 - Performing analytical procedures concerning the Indicators included in the Report at the Company visited; and
 - Testing, on a sample basis, underlying source information concerning the Indicators included in the Report and conducting relevant re-calculations at the Company visited.

The procedures performed in a limited assurance engagement are more limited in nature, timing and extent than a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is lower than would have been obtained if we had performed a reasonable assurance engagement.
4.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Indicators included in the Report have not been measured and reported in accordance with the Company’s own criteria that it determined with consideration of Japanese environmental regulations.

Financial Section

Financial and Non-Financial Data (10 years)	P63
Consolidated Financial Statements	
Consolidated Balance Sheets	P65
Consolidated Statements of Income and Statements of Comprehensive Income	P67
Consolidated Statements of Changes in Equity	P69
Consolidated Statements of Cash Flows	P72
Notes to Consolidated Financial Statements	P74
Independent Auditor’s Report	P125

The Consolidated Financial Statements on page 65 to page 124 and the Independent Auditor’s Report on the financial statements on page 125 to page 129 were first published on the Company’s website on September 12, 2023 and are republished in this document as a restatement of the Consolidated Financial Statements as amended on September 29, 2023.

Financial and Non-Financial Data (10 years)

Financial Data (consolidated)

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Net sales (billions of yen)	441.7	472.3	493.8	507.2	590.3	618.1	712.3	740.3	657.8	688.7
Cost of sales (billions of yen)	394.5	423.7	442.6	451.9	529.8	551.4	636.0	657.5	569.0	591.3
Gross profit (billions of yen)	47.2	48.6	51.2	55.3	60.5	66.7	76.3	82.7	88.9	97.3
Selling, general and administrative expenses (billions of yen)	24.0	24.0	26.7	26.5	27.8	31.0	34.9	38.2	42.8	45.8
Operating profit (billions of yen)	23.2	24.6	24.5	28.8	32.7	35.7	41.4	44.6	46.0	51.6
Ordinary profit (billions of yen)	25.4	26.5	29.2	31.4	35.2	39.1	44.0	48.0	52.7	59.7
Profit attributable to owners of parent (billions of yen)	13.0	14.2	17.5	20.0	21.9	25.5	26.2	29.6	33.9	38.9
Total assets (billions of yen)	1,851.9	1,986.8	2,113.1	2,300.1	2,430.5	2,593.0	2,752.6	2,979.3	2,949.7	3,149.7
Operating assets (billions of yen)	1,599.2	1,730.5	1,867.2	2,047.4	2,172.6	2,262.8	2,384.0	2,555.9	2,565.9	2,704.5
Interest-bearing debt (billions of yen)	1,500.1	1,629.8	1,750.3	1,900.7	2,000.3	2,122.7	2,251.7	2,446.7	2,377.6	2,521.7
Net assets (billions of yen)	202.6	222.5	232.5	259.2	282.6	295.0	311.8	344.8	374.2	409.4
Equity ratio (%)	9.8	10.1	9.9	9.9	10.2	10.1	10.0	10.2	11.3	11.6
Executed contract volume (billions of yen)	594.8	666.9	703.8	834.2	1,105.1	1,187.2	1,359.7	1,343.9	1,384.4	1,530.8
ROA (Ratio of ordinary profit to operating assets) (%)	1.64	1.59	1.62	1.60	1.67	1.76	1.90	1.94	2.06	2.27
OHR (%)	49.8	48.7	51.2	47.1	45.2	45.3	44.0	43.9	44.8	45.3
Cash flows from operating activities (billions of yen)	(85.2)	(165.4)	(151.5)	(154.3)	(104.4)	(80.0)	(108.8)	(35.1)	89.0	(24.1)
Cash flows from investing activities (billions of yen)	(1.1)	(1.1)	(1.2)	(4.6)	(5.7)	(9.4)	(11.2)	(6.0)	(15.7)	(12.4)
Cash flows from financing activities (billions of yen)	62.6	147.3	150.3	157.7	113.5	105.5	127.8	63.4	(101.5)	84.0
Cash and cash equivalents at end of period (billions of yen)	72.3	54.0	51.4	50.6	54.1	69.9	77.4	98.8	72.0	121.2
Basic earnings per share (yen)	429.49	470.14	579.17	661.80	726.41	844.69	871.95	986.18	1,130.52	1,299.27
Dividends per share (yen)	74	80	100	130	146	188	205	240	285	343

Non-Financial Data (consolidated)

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
CO ₂ emissions (Scope1,2) (t-CO ₂)*1	1,148	1,269	1,199	1,253	2,043	1,904	1,971	2,016	1,455	1,715 <input checked="" type="checkbox"/>
Scope1 (t-CO ₂)*1	192	159	153	163	770	707	688	603	584	558 <input checked="" type="checkbox"/>
Scope2 (t-CO ₂)*1	956	1,110	1,045	1,089	1,273	1,197	1,283	1,414	872	1,157 <input checked="" type="checkbox"/>
CO ₂ emission intensity (Scope1,2) (t-CO ₂ / 100 millions of yen)	0.31	0.33	0.30	0.32	0.36	0.36	0.29	0.28	0.22	0.25
Green energy supply*2 (Output) (MW)	23	58	86	86	111	149	229	283	318	515
Number of employees (Employees)	1,521	1,542	1,559	1,703	1,715	1,960	2,416	2,637	3,189	3,437
Retention rate of employees after 3 years*3 (non-consolidated) (%)	87.5	94.7	100	85.7	100	94.3	89.7	88.9 <input checked="" type="checkbox"/>	—	—
Number of employees (non-consolidated) (Employees)	660	669	670	689	689	704	715	759	798	816
Turnover rate*4 (non-consolidated) (%)	1.3	1.1	0.8	1.0	1.9	1.9	1.8	1.7	1.9	2.2 <input checked="" type="checkbox"/>
Number of female employees in management positions (non-consolidated) (Employees)	25	25	27	29	32	36	79*5	113	130	141 <input checked="" type="checkbox"/>
Percentage of female employees in management positions (non-consolidated) (%)	7.9	8.1	9.0	9.1	9.9	11.5	21.1*5	27.5	29.5	30.9 <input checked="" type="checkbox"/>
Employment rate of the disabled (non-consolidated) (%)	2.0	2.0	1.8	2.2	2.3	2.3	2.1	2.4	2.2	2.3 <input checked="" type="checkbox"/>
Rate of taking annual paid leave (non-consolidated) (%)	59.1	58.5	61.9	68.9	68.0	68.4	66.3*6	72.0	82.3	93.5 <input checked="" type="checkbox"/>

*1 Covers Fuyo General Lease and consolidated subsidiaries (To see all companies covered, please refer to footnote 2 on p.43) For calculation methods, please refer to *1 and *3 on p. 43.
*2 Applicable investments made in the Renewable Energy Generation Business, project financing, etc. (power generation capacity is calculated based on ownership ratio or share)
*3 Percentage of employees who joined the Company in the applicable fiscal year and remain employed as of April three years thereafter.
*4 Turnover rate includes separations due to personal reasons, reaching retirement age, and other reasons including transfer. This does not include rehired employees who left the company due to expiration of their contracts.

*5 In July 2019, our human resources system was revised to classify senior leaders (a position equivalent to the position of section chief) as managers. As a result, the number of female managers and the percentage of female employees in management positions increased year on year for the fiscal year ended March 31, 2020.
*6 Due to restrictions on the number of employees coming to work in conjunction with the spread of COVID-19, actual data on paid leave for eight Fuyo General Lease (USA) Inc. employees is not included.

Consolidated financial statements

Consolidated balance sheets

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Assets				
Current assets				
Cash and deposits	3	¥ 121,227	¥ 72,157	\$ 907,799
Installment receivables	3	53,491	66,877	400,564
Lease receivables and investments in leases	3	890,802	1,019,764	6,670,680
Operating loans		328,697	316,633	2,461,419
Accounts receivable - other loans to customers	3, 7	118,529	114,443	887,595
Operational investment securities	2	454,966	323,021	3,406,968
Other operating assets		33,210	23,344	248,692
Accounts receivable - lease	3	26,172	24,807	195,986
Other		72,698	66,556	544,392
Allowance for doubtful accounts		(2,672)	(2,717)	(20,011)
Total current assets		2,097,123	2,024,888	15,704,083
Non-current assets				
Property, plant and equipment				
Assets for lease				
Assets for lease	1,3,7	797,218	671,643	5,969,883
Advances for purchase of assets for lease		839	15,111	6,286
Total assets for lease		798,057	686,754	5,976,169
Other operating assets	1, 3	29,407	31,801	220,214
Construction in progress		10,732	4,673	80,369
Own-used assets	1	3,872	3,754	29,001
Total property, plant and equipment		842,070	726,984	6,305,754
Intangible assets				
Assets for lease		138	195	1,038
Other intangible assets				
Goodwill		27,986	21,234	209,571
Other		11,116	9,367	83,245
Total other intangible assets		39,102	30,602	292,816
Total intangible assets		39,241	30,797	293,854
Investments and other assets				
Investment securities	2, 3	125,286	120,259	938,198
Distressed receivables		439	539	3,292
Retirement benefit asset		523	88	3,917
Deferred tax assets		2,897	2,976	21,698
Other		41,740	42,554	312,572
Allowance for doubtful accounts		(231)	(331)	(1,732)
Total investments and other assets		170,656	166,087	1,277,944
Total non-current assets		1,051,968	923,869	7,877,551
Deferred assets				
Organization expenses		4	1	32
Business commencement expenses		645	944	4,831
Total deferred assets		649	945	4,863
Total assets		¥ 3,149,740	¥ 2,949,704	\$ 23,586,497

The accompanying notes are an integral part of these statements.

About Us	Top Message	Shared Value Story	Strategy & Action	Management	Corporate Governance	Financial Section & Corporate Date

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
		FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023) (Note 1)
Net sales	1	¥ 688,655	¥ 657,847	\$ 5,156,921
Cost of sales	3	591,338	568,988	4,428,176
Gross profit		97,316	88,858	728,746
Selling, general and administrative expenses	2	45,755	42,824	342,635
Operating profit		51,561	46,034	386,111
Non-operating income				
Interest income		78	13	586
Dividend income		2,357	2,332	17,652
Foreign exchange gains		437	–	3,277
Gain on investments in investment partnerships		252	268	1,892
Share of profit of entities accounted for using equity method		6,028	3,293	45,142
Recoveries of written off receivables		95	1,743	716
Reversal of provision for loss on guarantees		81	121	610
Other		575	514	4,307
Total non-operating income		9,906	8,289	74,182
Non-operating expenses				
Interest expenses		1,017	775	7,616
Bond issuance costs		78	34	587
Foreign exchange losses		–	430	–
Loss on investments in investment partnerships		100	40	751
Distributions of profit or loss on silent partnerships		458	266	3,433
Other		114	52	855
Total non-operating expenses		1,768	1,600	13,242
Ordinary profit		59,699	52,723	447,051
Extraordinary income				
Gain on sale of investment securities		64	840	481
Gain on transition of retirement benefit plan		–	10	–
Other		–	73	–
Total extraordinary income		64	924	481
Extraordinary losses				
Loss on valuation of investment securities		256	357	1,923
Loss on step acquisitions		85	2	641
Loss on liquidation of subsidiaries and associates	5	1,349	–	10,107
Impairment losses	3	0	642	6
Loss on disposal of non-current assets	4	41	40	308
Loss on revision of retirement benefit plan		–	9	–
Total extraordinary losses		1,734	1,052	12,985
Profit before income taxes		58,029	52,595	434,547
Income taxes - current		16,658	17,052	124,743
Income taxes - deferred		494	(933)	3,704
Total income taxes		17,152	16,119	128,447
Profit		40,876	36,476	306,100
Profit attributable to non-controlling interests		1,936	2,589	14,503
Profit attributable to owners of parent		¥ 38,939	¥ 33,886	\$ 291,597

The accompanying notes are an integral part of these statements.

Consolidated statements of comprehensive income

	Notes	Millions of yen		Thousands of U.S. dollars
		FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023) (Note 1)
Profit		¥ 40,876	¥ 36,476	\$ 306,100
Other comprehensive income				
Valuation difference on available-for-sale securities		(2,529)	(6,297)	(18,945)
Deferred gains or losses on hedges		(687)	(742)	(5,147)
Foreign currency translation adjustment		12,464	7,910	93,335
Remeasurements of defined benefit plans, net of tax		163	26	1,228
Share of other comprehensive income of entities accounted for using equity method		26	808	200
Total other comprehensive income	1	9,437	1,705	70,671
Comprehensive income		¥ 50,314	¥ 38,181	\$ 376,771
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		¥ 48,307	¥ 35,583	\$ 361,749
Comprehensive income attributable to non-controlling interests		2,006	2,597	15,023

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in equity

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

(Millions of yen)

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

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥ 38,547	¥ (3,932)	¥ 5,509	¥ (0)	¥ 40,124	¥ 650	¥ 40,754	¥ 374,239
Changes during period								
Dividends of surplus								(9,425)
Profit attributable to owners of parent								38,939
Purchase of treasury shares								–
Disposal of treasury shares								302
Purchase of shares of consolidated subsidiaries								(5,376)
Change in ownership interest of parent due to transactions with non-controlling interests								–
Net changes in items other than shareholders' equity	(2,546)	(675)	12,426	163	9,368	(108)	1,498	10,757
Total changes during period	(2,546)	(675)	12,426	163	9,368	(108)	1,498	35,197
Balance at end of period	¥ 36,000	¥ (4,608)	¥ 17,936	¥ 163	¥ 49,492	¥ 541	¥ 42,253	¥ 409,437

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

(Millions of yen)

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

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥ 44,833	¥ (2,656)	¥ (3,698)	¥ (50)	¥ 38,427	¥ 704	¥ 39,527	¥ 344,796
Changes during period								
Dividends of surplus								(7,824)
Profit attributable to owners of parent								33,886
Purchase of treasury shares								(646)
Disposal of treasury shares								74
Purchase of shares of consolidated subsidiaries								–
Change in ownership interest of parent due to transactions with non-controlling interests								1,081
Net changes in items other than shareholders' equity	(6,285)	(1,276)	9,208	50	1,697	(53)	1,227	2,871
Total changes during period	(6,285)	(1,276)	9,208	50	1,697	(53)	1,227	29,442
Balance at end of period	¥ 38,547	¥ (3,932)	¥ 5,509	¥ (0)	¥ 40,124	¥ 650	¥ 40,754	¥ 374,239

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

(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	\$ 78,869	\$ 54,508	\$ 2,076,993	\$ (18,447)	\$ 2,191,923
Changes during period					
Dividends of surplus			(70,583)		(70,583)
Profit attributable to owners of parent			291,597		291,597
Purchase of treasury shares					–
Disposal of treasury shares			(702)	2,966	2,264
Purchase of shares of consolidated subsidiaries		(40,258)			(40,258)
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Total changes during period	–	(40,258)	220,312	2,966	183,020
Balance at end of period	\$ 78,869	\$ 14,250	\$ 2,297,305	\$ (15,481)	\$ 2,374,942

(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	\$ 288,660	\$ (29,448)	\$ 41,259	\$ (1)	\$ 300,471	\$ 4,873	\$ 305,188	\$ 2,802,455
Changes during period								
Dividends of surplus								(70,583)
Profit attributable to owners of parent								291,597
Purchase of treasury shares								–
Disposal of treasury shares								2,264
Purchase of shares of consolidated subsidiaries								(40,258)
Change in ownership interest of parent due to transactions with non-controlling interests								–
Net changes in items other than shareholders' equity	(19,071)	(5,059)	93,058	1,224	70,152	(816)	11,221	80,557
Total changes during period	(19,071)	(5,059)	93,058	1,224	70,152	(816)	11,221	263,576
Balance at end of period	\$ 269,589	\$ (34,507)	\$ 134,317	\$ 1,223	\$ 370,622	\$ 4,058	\$ 316,409	\$ 3,066,031

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)
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Cash flows from operating activities			
Profit before income taxes	¥ 58,029	¥ 52,595	\$ 434,547
Depreciation of assets for lease	40,595	46,175	303,999
Loss on retirement of assets for lease and cost of property for lease sales	90,840	152,268	680,249
Depreciation of other operating assets	2,559	2,522	19,170
Depreciation	2,739	2,336	20,518
Amortization of goodwill	1,619	1,405	12,129
Impairment losses	0	642	6
Increase (decrease) in allowance for doubtful accounts	(601)	(406)	(4,506)
Increase (decrease) in provision for bonuses and bonuses for directors (and other officers)	167	8	1,253
Increase (decrease) in provision for future lease payments	0	0	7
Increase (decrease) in provision for retirement benefits for directors (and other officers)	207	5	1,557
Increase (decrease) in provision for share awards for directors (and other officers)	12	177	90
Increase (decrease) in provision for maintenance costs	(162)	(94)	(1,217)
Increase (decrease) in provision for loss on guarantees	(81)	(121)	(610)
Increase (decrease) in retirement benefit liability	405	46	3,033
Loss (gain) on valuation of short-term and long-term investment securities	256	357	1,923
Interest and dividend income	(2,435)	(2,345)	(18,238)
Capital costs and interest expenses	11,965	10,155	89,601
Loss (gain) on investments in investment partnerships and silent partnerships	(152)	(228)	(1,141)
Share of loss (profit) of entities accounted for using equity method	(6,028)	(3,293)	(45,142)
Loss (gain) on sale of short-term and long-term investment securities	(64)	(840)	(481)
Loss on liquidation of subsidiaries and associates	1,349	–	10,107
Loss (gain) on disposal of non-current assets	41	40	308
Decrease (increase) in installment receivables	13,291	17,555	99,534
Net decrease (increase) in lease receivables and investments in leases	136,887	90,527	1,025,070
Decrease (increase) in accounts receivable - lease	1,892	7,307	14,169
Decrease (increase) in operating loans	(6,633)	(3,678)	(49,677)
Decrease (increase) in accounts receivable - other loans to customers	(4,030)	3,449	(30,178)
Decrease (increase) in operational investment securities	(131,708)	(39,812)	(986,283)
Purchase of assets for lease	(216,032)	(220,598)	(1,617,733)
Purchase of other operating assets	(6,244)	(4,821)	(46,762)
Decrease (increase) in retirement benefit asset	(434)	(23)	(3,257)
Decrease (increase) in distressed receivables	100	18	751
Decrease (increase) in guarantee deposits	(1,223)	4,302	(9,165)
Increase (decrease) in trade payables	(1,770)	1,265	(13,256)
Increase (decrease) in lease liabilities	(3,194)	(3,873)	(23,920)
Increase (decrease) in guarantee deposits received	2,021	3,420	15,139
Other, net	16,507	(1,315)	123,616
Subtotal	695	115,128	5,211
Interest and dividends received	3,510	2,706	26,284
Interest paid	(11,382)	(10,209)	(85,240)
Income taxes refund (paid)	(16,972)	(18,650)	(127,096)
Net cash provided by (used in) operating activities	(24,149)	88,974	(180,841)

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Cash flows from investing activities				
Purchase of own-used assets		(2,676)	(2,179)	(20,041)
Purchase of investment securities		(9,177)	(12,163)	(68,725)
Proceeds from sale and redemption of investment securities		1,309	1,543	9,804
Purchase of shares of subsidiaries resulting in change in scope of consolidation	2	(2,397)	(3,589)	(17,956)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	348	–	2,609
Other, net		200	718	1,502
Net cash provided by (used in) investing activities		(12,393)	(15,669)	(92,806)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		6,414	(1,850)	48,037
Net increase (decrease) in commercial papers		(65,000)	(99,200)	(486,746)
Proceeds from long-term borrowings		459,699	353,067	3,442,414
Repayments of long-term borrowings		(357,873)	(336,531)	(2,679,897)
Net increase (decrease) in payables under securitization of lease receivables		(5,200)	(700)	(38,940)
Proceeds from securitization of lease receivables		4	42	33
Repayments of payables under securitization of lease receivables		(17,351)	(42,054)	(129,932)
Proceeds from issuance of bonds		110,000	64,530	823,723
Redemption of bonds		(30,000)	(30,000)	(224,652)
Purchase of treasury shares		–	(646)	–
Proceeds from disposal of treasury shares		302	74	2,264
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(6,869)	–	(51,442)
Dividends paid		(9,425)	(7,824)	(70,583)
Dividends paid to non-controlling interests		(281)	(288)	(2,105)
Other, net		(377)	(154)	(2,830)
Net cash provided by (used in) financing activities		84,042	(101,534)	629,346
Effect of exchange rate change on cash and cash equivalents		1,735	1,433	12,996
Net increase (decrease) in cash and cash equivalents		49,235	(26,796)	368,696
Cash and cash equivalents at beginning of period		71,957	98,753	538,843
Cash and cash equivalents at end of period	1	¥ 121,192	¥ 71,957	\$ 907,539

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 ¥133.54 to US\$1.00, in effect at March 31, 2023, 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: 65 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

In the fiscal year ended March 31, 2023, FGL LeaseUp Business Service Co., Ltd. was included in the scope of consolidation because it succeeded to the lease expiration processing business through an incorporation-type company split from Fuyo Lease Sales Co., Ltd., and Human Centrix Co., Ltd. and Pacific Rim Capital, Inc. were included in the scope of consolidation due to the Company’s acquisition of their shares. Pacific Rim Capital, Inc. was excluded from the scope of application of the equity method due to its inclusion in the scope of consolidation.

In addition, Fuyo Network Service Co., Ltd. was excluded from the scope of consolidation since it was dissolved as a result of an absorption-type company split following restructuring of the ICT business and others in the Group.

(2) Non-consolidated subsidiaries

Reason for exclusion from the scope of consolidation

Among the non-consolidated subsidiaries, 153 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: 18 associates

Names of significant associates:

Yokogawa Rental & Lease Corporation
Marubeni Fuyo Auto Investment (CANADA) Inc.

In the fiscal year ended March 31, 2023, the Company made additional acquisitions of shares in Pacific Rim Capital, Inc. and excluded it from the scope of application of the equity method, while including it in the scope of consolidation.

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

Reason the equity method was not applied to the companies

Among the non-consolidated subsidiaries, 153 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, 24 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 activities transactions during the periods up to the consolidated balance sheet date, have been reflected in the consolidation. The financial statements of F.O. Aerial Leasing Ltd. and four other companies are based on the provisional settlement of accounts conducted as of the consolidated balance sheet date. The closing date of other consolidated subsidiaries is the same as the consolidated balance sheet date.

4. Summary of significant accounting policies

(1) Standard and method of valuation of significant assets

- 1) Securities

Other securities

Securities other than shares without a market price, etc.

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

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

Shares without a market price, etc.

Stated at cost determined by the moving-average method

The amortized cost method is applied to the difference between the acquisition cost and the amount of bonds where interest rate adjustment is recognized.
- 2) Derivative financial instruments

Fair value method

(2) Depreciation and amortization

- 1) Assets for lease

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

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

Straight-line method
- 3) Leased assets

Leased assets under finance leases that do not transfer ownership

Amortized over the lease agreement period using the straight-line method with no residual value
- 4) Own-used assets

Declining balance method

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

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

Buildings

3 to 50 years

Equipment

2 to 20 years
- 5) Other intangible assets

Straight-line method

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

(3) Accounting method for deferred assets

- 1) Organization expenses

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

Business commencement expenses are amortized by the straight-line method within five years after the business commencement date.
- 3) Bond issuance costs

Bond issuance costs are expensed upon payment.

(4) Accounting policy for significant allowances and provisions

- 1) Allowance for doubtful accounts

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

With respect to the bankruptcy claims, etc., an estimated uncollectible amount is calculated by directly deducting amounts expected to be recovered from the amount of claims. The direct deduction totaled ¥7,314 million (U.S.\$54,775 thousand) in the fiscal year ended March 31, 2023 and ¥5,393 million in the fiscal year ended March 31, 2022.

- 2) Provision for bonuses

To prepare for payment of bonuses to employees, a provision for the estimated payment amount borne in the fiscal year is recorded.
- 3) Provision for bonuses for directors (and other officers)

To prepare for payment of bonuses to directors, a provision for the estimated payment amount borne in the fiscal year is recorded.
- 4) Provision for future lease payments

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

To cover possible losses on guarantees, etc., the Company provides an allowance for estimated loss, taking into consideration the financial condition of the financial guarantees as well as other factors.
- 6) Provision for retirement benefits for directors (and other officers)

Since this equates to the benefits for directors and corporate auditors, the entire amount that would be required to be paid at the end of the fiscal year is recorded according to internal regulations.
- 7) Provision for share awards for directors (and other officers)

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

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

(5) Retirement benefits

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

For the calculation of retirement benefit obligations, the benefit formula method is used to attribute estimated retirement benefits for the period up to the end of the fiscal year.
- 2) Actuarial differences and prior service cost

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

With respect to actuarial differences, the Company expenses the entire amount of them in the fiscal year of occurrence, but three of the Company's domestic consolidated subsidiaries amortize them by the straight-line method over a period (5 to 11 years) within the average remaining service years for employees at the time of recognition, starting from the fiscal year following the fiscal year of occurrence.
- 3) Unrecognized actuarial differences and unrecognized prior service cost

Unrecognized actuarial differences and unrecognized prior service cost after tax effect adjustments are recorded as remeasurements of defined benefit plans classified in accumulated other comprehensive income of net assets.
- 4) Simplified accounting method by small-scale businesses, etc.

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

(6) Recognition of significant revenues and expenses

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

Sales and cost of sales are recorded when lease payments should be received.
- 2) Accounting policy for revenue from operating leases

Based on the lease payments that should be received each month under the lease agreement based on the lease agreement periods, recorded as lease payments corresponding to such transitional period.
- 3) Accounting policy for revenue from sale of leased properties

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

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

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

(8) Significant hedge accounting methods

- 1) Hedge accounting

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

2) Hedging instruments and hedged items

- (a) Hedging instruments Interest rate swaps, currency swaps and forward exchange contracts
- (b) Hedged items Borrowings and forecast transactions in foreign currencies, etc.

3) Hedging policies

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

4) Assessing hedge effectiveness

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

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

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

(9) Amortization method and period of goodwill

Apart from immaterial amounts, 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.

II. Significant accounting estimates

Of the accounting estimates made in preparing the consolidated financial statements for the fiscal year ended March 31, 2023, 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

FY2022: ¥797,218 million (U.S.\$5,969,883 thousand)
FY2021: ¥671,643 million

(2) Information regarding significant accounting estimates for identified items

1) Method of calculation of amounts

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

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

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

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

2) Main assumptions used to calculate the amounts

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

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

Although we are expecting the moderate recovery to proceed as economic and social activities normalize, we also anticipate the continuation of prevailing uncertainties such as rising geopolitical risk and instability of financial systems in Europe and North America, and cash flows derived mainly from leased properties will be affected to a certain extent. Although this situation is subject to uncertainty, the Group has made estimates based on available information.

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

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

III. Change in accounting policy

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter, “Fair Value Measurement Accounting Guidance”) has been applied from the beginning of the fiscal year ended March 31, 2023, and the new accounting policy provided for by the Fair Value Measurement Accounting Guidance has been applied prospectively in accordance with the transitional treatment stipulated in paragraph 27-2 of the Fair Value Measurement Accounting Guidance. As a result, evaluation of some investment trusts, which was previously performed using reference prices, has been changed to a method that uses net asset values per unit.

In the note regarding investment trusts in matters concerning the breakdown of financial instruments by fair value level and other matters in Note XIII. “Financial instruments,” notes for the previous fiscal year have not been stated in accordance with paragraph 27-3 of the Fair Value Measurement Accounting Guidance.

IV. New accounting standards and implementation guidances not yet applied

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

V. Change in accounting estimates

For aircraft the Group owns as assets for lease, the Group in principle had estimated the disposal price when the lease contract expires based on a useful life of 21 years and a residual value ratio that would make the residual value 10% of the acquisition price of those assets for lease and set that as the residual value. From the beginning of the fiscal year ended March 31, 2023, the Group has revised the method to in principle basing the estimate on a useful life of 25 years and a residual value ratio that would make the residual value 15% of the acquisition price, and these changes shall be applied prospectively. For the aircraft held as assets for lease, under the new medium-term management plan that has started in the fiscal year ended March 31, 2023, the Group has changed from a business model that holds equipment over a long period to a business model that switches equipment depending on the market environment, etc. In conjunction with this change, in the first quarter ended June 30, 2022, the Group examined the useful life and residual value of aircraft based on data compiled from past transactions in aircraft leases and a forecast of aircraft demand, etc., going forward, and changed to a useful life and residual value that are better matching with reality in light of the long-term demand of aircraft and the extending length of years of service life.

As a result, operating profit, ordinary profit and profit before income taxes for the fiscal year ended March 31, 2023, increased by ¥2,065 million (U.S.\$15,470 thousand) each than would have been the case using the previous method.

VI. 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 ¥1,061 million (U.S.\$7,946 thousand) and 149,800 shares as of March 31, 2023 and ¥1,254 million and 177,100 shares as of March 31, 2022.

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

Not applicable

VII. 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, 2023	As of March 31, 2022	As of March 31, 2023
Assets for lease	¥ 195,748	¥ 167,973	\$ 1,465,844
Other operating assets	14,798	12,423	110,817
Own-used assets	3,766	2,620	28,204

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Operational investment securities (other)	¥ 1,300	¥ 1,300	\$ 9,735
Investment securities (shares)	26,715	29,095	200,053
(of which investment in joint ventures)	(24,084)	(27,874)	(180,351)
Investment securities (other)	19,739	13,388	147,820

*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, 2023	As of March 31, 2022	As of March 31, 2023
Cash and deposits	¥ 3,239	¥ 3,122	\$ 24,256
Installment receivables	418	555	3,133
Lease receivables and investments in leases	11,946	13,770	89,457
Accounts receivable - other loans to customers	1,791	3,427	13,414
Accounts receivable - lease	78	106	584
Operating lease and other contract receivables	9,453	10,021	70,795
Assets for lease (property, plant and equipment)	49,487	52,327	370,586
Other operating assets (property, plant and equipment)	17,347	18,565	129,908
Total	¥ 93,762	¥ 101,897	\$ 702,134

Note: Besides the above assets pledged as collateral, the Company provided investment securities (¥602 million (U.S.\$4,509 thousand) in the fiscal year ended March 31, 2023, ¥602 million in the fiscal year ended March 31, 2022) as third party security for bank loans taken out by business partners. The Company maintains deposits of investment securities (¥3 million (U.S.\$22 thousand) and ¥3 million as of March 31, 2023 and March 31, 2022, respectively) for the purpose of sales transactions.

(2) Liabilities secured by collateral

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Other (current liabilities)	¥ 6	¥ 6	\$ 51
Long-term borrowings (current portion included)	62,559	70,404	468,473
Long-term payables under securitization of lease receivables (current portion included)	18	68	138
Total	¥ 62,585	¥ 70,479	\$ 468,662

*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, 2023	As of March 31, 2022	As of March 31, 2023
Total loan commitments	¥ 12,685	¥ 3,055	\$ 94,994
Balance of loans extended	4,067	1,450	30,455
Difference	¥ 8,618	¥ 1,605	\$ 64,539

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

*5 Overdraft agreements and loan commitments (as borrower)

The Company has concluded overdraft agreements and loan commitment agreements with 77 correspondent financial institutions, etc. (77 in the fiscal year ended March 31, 2022) for the efficient procurement of working capital. The unused balance, etc. at the end of the fiscal years ended March 31, 2023 and 2022 based on these agreements was as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Upper limit on overdrafts and total loan commitments	¥ 1,250,007	¥ 1,033,097	\$ 9,360,544
Balance of borrowings drawn	575,084	522,819	4,306,460
Difference	¥ 674,922	¥ 510,278	\$ 5,054,084

*6 Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Mizuho Bank, Ltd. (Note)	¥ 81,891	¥ 41,895	\$ 613,238
JAPAN SECURITIZATION CORPORATION (Note)	4,166	1,006	31,197
Cutlass Solar Partners LLC	2,249	–	16,842
IBM Japan, Ltd. (Note)	1,556	1,625	11,654
Sumitomo Realty & Development Co., Ltd. (Note)	1,272	1,272	9,527
PLIC Corp., Ltd.	1,227	–	9,189
AEON Mall Co., Ltd.	1,021	1,100	7,647
Pacific Rim Capital, Inc.	–	4,957	–
Employees (funds for purchasing housing)	2	3	22
Others (773 in the fiscal year ended March 31, 2023, 835 in the fiscal year ended March 31, 2022)	23,836	27,039	178,497
Total	¥ 117,223	¥ 78,900	\$ 877,813

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

(2) One of the Company's domestic consolidated subsidiaries engaged in business guarantee operations and the balance of guarantees for borrowings of general customers and other entities was ¥25,061 million (U.S.\$187,673 thousand) as of March 31, 2023 and ¥31,777 million as of March 31, 2022.

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Current portion of long-term non-recourse borrowings	¥ 5,408	¥ 3,176	\$ 40,501
Long-term non-recourse borrowings	29,703	31,340	222,431
Total	¥ 35,111	¥ 34,516	\$ 262,932

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Accounts receivable - other loans to customers	¥ 29,845	¥ 35,077	\$ 223,496
Assets for lease (property, plant and equipment)	3,645	–	27,295
Total	¥ 33,490	¥ 35,077	\$ 250,791

*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 ¥51,584 million (U.S.\$386,288 thousand) as of March 31, 2023 and ¥76,934 million as of March 31, 2022.

VIII.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 XXII. "Revenue recognition, 1. Information on disaggregation of revenue from contracts with customers."

*2 Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Provision of allowance for doubtful accounts	¥ 1,218	¥ 2,620	\$ 9,122
Bad debts expenses	448	378	3,356
Employees' salaries, allowances and bonuses	16,757	14,949	125,489
Provision for bonuses	2,521	2,802	18,883
Provision for bonuses for directors (and other officers)	204	200	1,530
Retirement benefit expenses	1,059	975	7,933
Provision for retirement benefits for directors (and other officers)	49	43	367
Provision for share awards for directors (and other officers)	230	229	1,726
Welfare expenses	3,947	3,425	29,558
Rent expenses	2,719	2,384	20,362
Depreciation	2,739	2,336	20,518
Amortization of goodwill	1,619	1,405	12,129

*3 Impairment losses

The Group recorded impairment losses for the following asset groups:
FY2022 (From April 1, 2022 to March 31, 2023)

Location	Use	Type	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	¥ 0	\$ 6

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

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

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

Location	Use	Type	Amount (Millions of yen)
Ireland	Assets for lease	Transportation equipment (aircraft)	¥ 2,048
Chiyoda-ku, Tokyo	Other intangible assets	Customer-related assets	641
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	0

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

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

In regard to the customer-related assets, there are no longer expectations for revenue from some existing customers that were anticipated at the time of acquisition of shares for one domestic consolidated subsidiary, so the value in use is evaluated at zero and deducted from the book value. The amount of such reduction in assets is recorded in extraordinary losses as an impairment loss.

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

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

Loss on retirement of non-current assets

	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Buildings	¥ 27	¥ 11	\$ 205
Equipment	5	13	43
Leased assets	—	9	—
Software	7	6	59
Total	¥ 41	¥ 40	\$ 308

*5 Loss on liquidation of subsidiaries and associates

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

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

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

Not applicable

IX.Notes for consolidated statements of comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Valuation difference on available-for-sale securities:			
Gains or losses arising during the year	¥ (4,354)	¥ (8,355)	\$ (32,607)
Reclassification adjustments to profit or loss	646	(717)	4,842
Amount before income tax effect	(3,707)	(9,073)	(27,765)
Income tax effect	1,177	2,775	8,820
Valuation difference on available-for-sale securities	¥ (2,529)	¥ (6,297)	\$ (18,945)
Deferred gains or losses on hedges:			
Gains or losses arising during the year	(1,239)	(1,449)	(9,279)
Reclassification adjustments to profit or loss	342	415	2,563
Amount before income tax effect	(896)	(1,034)	(6,715)
Income tax effect	209	291	1,568
Deferred gains or losses on hedges	¥ (687)	¥ (742)	\$ (5,147)
Foreign currency translation adjustment:			
Gains or losses arising during the year	12,464	7,910	93,335
Foreign currency translation adjustment	¥ 12,464	¥ 7,910	\$ 93,335
Remeasurements of defined benefit plans, net of tax:			
Gains or losses arising during the year	346	44	2,597
Reclassification adjustments to profit or loss	(89)	(5)	(670)
Amount before income tax effect	257	39	1,927
Income tax effect	(93)	(13)	(699)
Remeasurements of defined benefit plans, net of tax	¥ 163	¥ 26	\$ 1,228
Share of other comprehensive income of entities accounted for using equity method:			
Gains or losses arising during the year	34	771	260
Reclassification adjustments to profit or loss	(7)	37	(60)
Share of other comprehensive income of entities accounted for using equity method	¥ 26	¥ 808	\$ 200
Total other comprehensive income	¥ 9,437	¥ 1,705	\$ 70,671

X. Notes for consolidated statements of changes in equity

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

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

	Number of shares at the beginning of the year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the year (Shares)
Issued shares				
Common shares	30,287,810	–	–	30,287,810
Total	30,287,810	–	–	30,287,810
Treasury shares				
Common shares (Note)	361,957	–	58,300	303,657
Total	361,957	–	58,300	303,657

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

2. Share acquisition rights and treasury shares acquisition rights

Category	Component of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (Shares)				Balance at the end of the year (Millions of yen)	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	–	–	–	–	–	¥ 541	\$ 4,058

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 23, 2022 Annual General Meeting of Shareholders	Common shares	¥ 4,665	¥ 155	March 31, 2022	June 24, 2022
November 8, 2022 Board of Directors	Common shares	4,759	158	September 30, 2022	December 7, 2022

Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 23, 2022, include cash dividends of ¥27 million for the Company's shares held by Board Benefit Trust (BBT).
2. Total amount of cash dividends which resolved at Board of Directors held on November 8, 2022, include cash dividends of ¥23 million for the Company's shares held by Board Benefit Trust (BBT).

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

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 23, 2023 Annual General Meeting of Shareholders	Common shares	¥ 5,574	Retained earnings	¥ 185	March 31, 2023	June 26, 2023

(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, 2023 Annual General Meeting of Shareholders	Common shares	\$ 41,746	Retained earnings	\$ 1.39	March 31, 2023	June 26, 2023

Note: Total amount of cash dividends include cash dividends of ¥27 million (U.S.\$208 thousand) for the Company's shares held by Board Benefit Trust (BBT).
FY2021 (From April 1, 2021 to March 31, 2022)

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

	Number of shares at the beginning of the year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the year (Shares)
Issued shares				
Common shares	30,287,810	–	–	30,287,810
Total	30,287,810	–	–	30,287,810
Treasury shares				
Common shares (Note)	290,885	85,572	14,500	361,957
Total	290,885	85,572	14,500	361,957

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

2. Share acquisition rights and treasury shares acquisition rights

Category	Component of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (Shares)				Balance at the end of the year (Millions of yen)
			Beginning of the year	Increase	Decrease	End of the year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	¥ 650

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 23, 2021 Annual General Meeting of Shareholders	Common shares	¥ 3,912	¥ 130	March 31, 2021	June 24, 2021
November 5, 2021 Board of Directors	Common shares	3,912	130	September 30, 2021	December 6, 2021

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

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

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 23, 2022 Annual General Meeting of Shareholders	Common shares	¥ 4,665	Retained earnings	¥ 155	March 31, 2022	June 24, 2022

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

XI. 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
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Cash and deposits	¥ 121,227	¥ 72,157	\$ 907,799
Time deposits with maturity of over three months	(34)	(200)	(260)
Cash and cash equivalents	¥ 121,192	¥ 71,957	\$ 907,539

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

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

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 689	\$ 5,163
Non-current assets	106	801
Goodwill	776	5,816
Current liabilities	(102)	(768)
Non-current liabilities	—	—
Valuation difference	947	7,095
Acquisition cost of shares	2,418	18,107
Cash and cash equivalents	(380)	(2,851)
Difference: net consideration paid for acquisition	¥ 2,037	\$ 15,257

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 16,639	\$ 124,602
Non-current assets	5,121	38,355
Goodwill	7,483	56,042
Current liabilities	(11,732)	(87,860)
Non-current liabilities	(5,487)	(41,096)
Non-controlling interests	(1,110)	(8,318)
Valuation difference	(97)	(731)
Acquisition cost of shares	10,816	80,996
Acquisition cost up until the time control was obtained	(8,398)	(62,888)
Loss on step acquisitions	85	641
Acquisition cost of additionally acquired shares	2,503	18,749
Cash and cash equivalents	(2,876)	(21,542)
Foreign currency translation adjustment	24	183
Difference: net consideration provided for acquisition	¥ (348)	\$ (2,609)

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

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

	Millions of yen
Current assets	¥ 9,829
Non-current assets	9
Goodwill	21
Current liabilities	(8,416)
Non-current liabilities	(1)
Valuation difference	(21)
Acquisition cost of shares	1,420
Acquisition cost up until the time control was obtained	(429)
Loss on step acquisitions	2
Acquisition cost of additionally acquired shares	994
Cash and cash equivalents	(39)
Difference: net consideration paid for acquisition	¥ 955

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

	Millions of yen
Current assets	¥ 5,328
Non-current assets	1,427
Goodwill	1,900
Current liabilities	(2,662)
Non-current liabilities	(2,267)
Valuation difference	971
Acquisition cost of shares	4,700
Cash and cash equivalents	(2,066)
Difference: net consideration paid for acquisition	¥ 2,633

XII. Lease transactions

As lessee

1. Finance leases (including intangible assets)

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

1) Details of leased assets

Mainly servers, network equipment and office equipment.

2) Depreciation method for leased assets

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

2. Operating leases

Future lease payments required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Within one year	¥ 700	¥ 610	\$ 5,247
Over one year	406	959	3,044
Total	¥ 1,107	¥ 1,569	\$ 8,291

As lessor

1. Finance leases

(1) Breakdown of investments in leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Lease receivables	¥ 803,166	¥ 938,940	\$ 6,014,424
Estimated residual value	18,911	18,216	141,617
Future interest income	(94,377)	(108,680)	(706,734)
Investments in leases	¥ 727,700	¥ 848,475	\$ 5,449,307

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

(Thousands of U.S. dollars)

	As of March 31, 2023					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	\$ 400,204	\$ 215,923	\$ 203,330	\$ 214,038	\$ 68,605	\$ 214,890
Investments in leases	2,005,387	1,269,361	940,759	710,219	320,760	767,938

(Millions of yen)

	As of March 31, 2022					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	¥ 49,858	¥ 45,367	¥ 26,268	¥ 18,502	¥ 15,889	¥ 28,465
Investments in leases	296,135	189,019	132,196	97,788	55,352	168,447

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

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

Note that the consequent impact is omitted for both the fiscal years ended March 31, 2023 and 2022 because of immateriality.

2. Operating leases

Future lease payments required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Within one year	¥ 71,692	¥ 60,926	\$ 536,862
Over one year	321,318	296,322	2,406,159
Total	¥ 393,010	¥ 357,248	\$ 2,943,020

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, 2023	As of March 31, 2022	As of March 31, 2023
Lease receivables and investments in leases	¥ 4,244	¥ 7,463	\$ 31,787
Lease liabilities (current liabilities)	7,065	9,888	52,913

XIII. Financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

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

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

(2) Details of financial instruments and associated risks

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

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

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

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

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

(3) Risk management system for financial instruments

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

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

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

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

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

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

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

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

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

etc., and hedge transactions, etc.

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

(i) Interest rate fluctuation risk management

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

(ii) Foreign exchange risk management

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

(iii) Price fluctuation risk management

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

(iv) Derivatives

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

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

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

(v) Quantitative information on market risk

The major types of financial instruments affected by interest rate risk, the Group's main risk factors, are "Installment receivables," "Lease receivables and investments in leases," "Operating loans," other marketable securities recorded under "Operational investment securities and investment securities," "Bonds payable," "Long-term borrowings," "Long-term payables under securitization of lease receivables," and interest rate swaps contracts included in "Derivatives." The Group performs quantitative analysis in managing the risk of interest rate fluctuations. This quantitative analysis incorporates the potential change in value of these financial assets and liabilities based on a reasonable range of potential interest rate movements. To calculate the potential change in value, the financial assets and liabilities are split into fixed-rate and variable-rate categories. For the fixed-rate category, the Company allocates the book value of the instruments into appropriate categories based on their interest-payment dates and applies an appropriate potential range of interest rate movements to each category. Assuming all risk factors other than interest rates remain constant, as of the fiscal year-end, a 10 basis point (0.1%) change in interest rates would result in a change of ¥4,030 million (U.S.\$30,180 thousand) for the fiscal year ended March 31, 2023 and a change of ¥4,042 million for the fiscal year ended March 31, 2022 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, 2023

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

	Thousands of U.S. dollars		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	\$ 393,385	\$ 394,641	\$ 1,257
(2) Lease receivables and investments in leases*2	6,660,078	6,913,269	253,192
(3) Operating loans*2	2,455,722	2,475,203	19,481
(4) Operational investment securities and investment securities*3			
Other securities	2,419,416	2,419,416	–
Total assets	\$ 11,928,600	\$ 12,202,529	\$ 273,929
(1) Lease liabilities	\$ 58,202	\$ 58,202	\$ –
(current liabilities and non-current liabilities)			
(2) Bonds payable	2,706,286	2,718,537	12,252
(current portion included)			
(3) Long-term borrowings	9,159,386	9,169,807	10,421
(current portion included)			
(4) Long-term payables under securitization of lease receivables	107,486	102,481	(5,005)
(current portion included)			
Total liabilities	\$ 12,031,360	\$ 12,049,027	\$ 17,667
Derivatives*4			
(i) Hedge accounting not applied	\$ –	\$ –	\$ –
(ii) Hedge accounting applied	3,087	3,087	–
Total derivatives	\$ 3,087	\$ 3,087	\$ –

*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, 2022

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

*1. Net of deferred profit on installment sales.
*2. Net of general and specific allowances for doubtful accounts related to installment receivables, lease receivables and investments in leases, and operating loans.
*3. Assets and liabilities arising from derivatives are carried at net amounts with amounts in parentheses representing a net liability position.

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Unlisted shares*1	¥ 10,421	¥ 10,058	\$ 78,037
Subsidiary's shares / associates' shares*1	46,454	42,483	347,873
Investments in limited partnerships, etc.*2	200,288	138,332	1,499,839
Total	¥ 257,164	¥ 190,874	\$ 1,925,750

*1. This equates to shares without a market price, etc., and is not subject to fair value disclosure in accordance with paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).
*2. Investments in partnerships, etc. is not subject to fair value disclosure based on paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, 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, 2023

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

Category	Thousands of U.S. dollars				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Operational investment securities					
Bonds payable	\$ -	\$ 1,263,449	\$ 64,470	\$ 1,327,920	
Preferred securities / beneficial interest in trusts, etc.	-	3,524	32,894	36,418	
Investment securities					
Shares	515,640	-	-	515,640	
Investment trusts	4,596	-	-	4,596	
Derivatives					
Interest rate-related	-	4,666	-	4,666	
Total assets	\$ 520,236	\$ 1,271,639	\$ 97,365	\$ 1,889,240	
Derivatives	\$ -	\$ -	\$ -	\$ -	
Foreign currency-related	-	1,580	-	1,580	
Total liabilities	\$ -	\$ 1,580	\$ -	\$ 1,580	

(*) Investment trusts that have applied the treatment of regarding the net asset value per unit as the fair value in paragraph 24-3 and paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) are not included in the above table. The book value of investment trusts that have applied the treatment in paragraph 24-3 is ¥29,736 million (U.S.\$222,680 thousand), and the book value of investment trusts that have applied the treatment in paragraph 24-9 is ¥41,686 million (U.S.\$312,162 thousand).

As of March 31, 2022

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

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

(2) Financial assets and financial liabilities not recorded on the consolidated balance sheet at fair value
As of March 31, 2023

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

Category	Thousands of U.S. dollars							
	Fair value				Total			
	Level 1	Level 2	Level 3					
Installment receivables	\$	–	\$	–	\$	394,641	\$	394,641
Lease receivables and investments in leases		–		–		6,913,269		6,913,269
Operating loans		–		–		2,475,203		2,475,203
Total assets	\$	–	\$	–	\$	9,783,114	\$	9,783,114
Lease liabilities	\$	–	\$	58,202	\$	–	\$	58,202
Bonds payable		–		2,718,537		–		2,718,537
Long-term borrowings		–		9,169,807		–		9,169,807
Long-term payables under securitization of lease receivables		–		102,481		–		102,481
Total liabilities	\$	–	\$	12,049,027	\$	–	\$	12,049,027

As of March 31, 2022

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

Notes:

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

Operational investment securities and investment securities

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

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

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

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

Installment receivables

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

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

Lease receivables and investments in leases

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

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

Operating loans

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

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

Lease liabilities

To calculate the fair values of lease liabilities, the instruments are first allocated to categories according to maturity terms. Total principal and interest for each category is discounted at a notional rate that is assumed would apply to borrowing in the same amount.

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

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

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

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

Derivatives

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

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

(1) Quantitative information concerning significant unobservable inputs

As of March 31, 2023

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

As of March 31, 2022

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

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

As of March 31, 2023

	Millions of yen													
	Beginning of year	Profit and loss or other comprehensive income for the period				Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period				
		Recorded in profit and loss	Recorded in other comprehensive income (*1)											
Operational investment securities														
Bonds payable	¥	5,836	¥	—	¥	(127)	¥	2,900	¥	—	¥	—	—	
Preferred securities, etc.		5,597		—		246		(1,451)		—		4,392	—	
Total	¥	11,434	¥	—	¥	119	¥	1,448	¥	—	¥	13,002	¥	—

	Thousands of U.S. dollars															
	Beginning of year	Profit and loss or other comprehensive income for the period			Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period							
		Recorded in profit and loss	Recorded in other comprehensive income (*1)													
Operational investment securities																
Bonds payable	\$	43,709	\$	—	\$	(954)	\$	21,716	\$	—	\$	—	\$	64,470	\$	—
Preferred securities, etc.		41,915		—		1,847		(10,868)		—		—		32,894		—
Total	\$	85,624	\$	—	\$	892	\$	10,849	\$	—	\$	—	\$	97,365	\$	—

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

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

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

As of March 31, 2022

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

*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, 2023

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

	Thousands of U.S. dollars									
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale and redemption	Amounts of investment trusts whose net asset value per unit shall be regarded as the fair value	Amounts of investment trusts whose net asset value per unit shall not be regarded as the fair value	End of year	Unrealized gains and losses on investment trusts held on the consolidated balance sheet date among the amount recorded to gains and losses for the period		
		Recorded in profit and loss (*1)	Recorded in other comprehensive income (*2)							
Investment trusts whose investment trust property is financial instruments (paragraph 24-3)	\$ 237,231	\$ (4,122)	\$ 4,170	\$ (14,599)	\$ -	\$ -	\$ 222,680	\$ -		
Investment trusts whose investment trust property is real estate (paragraph 24-9)	233,180	-	9,384	69,598	-	-	312,162	-		
Total	\$ 470,411	\$ (4,122)	\$ 13,554	\$ 54,998	\$ -	\$ -	\$ 534,842	\$ -		

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

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

Content of restrictions on cancellation	Book value (Millions of yen)	Book value (Thousands of U.S. dollars)
The record date for cancellation is limited, and the interval is long.	¥ 29,736	\$ 222,680

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

As of March 31, 2023

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

	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	\$ 907,799	\$ -	\$ -	\$ -
Installment receivables	162,801	202,940	23,309	11,514
Lease receivables and investments in leases	2,193,962	3,620,017	561,329	295,372
Operating loans	519,863	1,716,152	198,418	26,986
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	-	-	-	-
Bonds (corporate bonds)	64,562	207,382	425,458	21,019
Bonds (other)	-	-	-	-
Other	154,820	985,772	360,795	179,937
Total	\$ 4,003,807	\$ 6,732,263	\$ 1,569,309	\$ 534,828

As of March 31, 2022

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

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, 2023

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

	Thousands of U.S. dollars					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	\$ 4,379,295	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial papers	2,291,448	–	–	–	–	–
Payables under securitization of lease receivables	181,219	–	–	–	–	–
Lease liabilities	27,048	12,733	6,222	4,954	2,142	5,103
Bonds payable	336,978	262,094	669,304	299,536	723,955	414,420
Long-term borrowings	2,946,905	2,235,772	1,666,756	873,840	897,994	538,120
Long-term payables under securitization of lease receivables	42,145	21,956	29,830	3,680	3,168	6,708
Total	\$ 10,205,037	\$ 2,532,554	\$ 2,372,112	\$ 1,182,009	\$ 1,627,259	\$ 964,351

As of March 31, 2022

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

XIV.Securities

1. Other securities

As of March 31, 2023

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

	Type	Thousands of U.S. dollars		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	\$ 502,973	\$ 127,154	\$ 375,819
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	277,245	274,824	2,421
	3) Other	–	–	–
	(3) Other	315,949	278,041	37,908
	Subtotal	1,096,167	680,019	416,148
Securities whose book value does not exceed their acquisition cost	(1) Shares	12,667	15,678	(3,011)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	1,050,675	1,088,218	(37,543)
	3) Other	–	–	–
	(3) Other	259,907	262,282	(2,375)
	Subtotal	1,323,249	1,366,179	(42,930)
Total		\$ 2,419,416	\$ 2,046,198	\$ 373,218

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

As of March 31, 2022

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

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

2. Other securities sold

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

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

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain	Total loss
(1) Shares	\$ 525	\$ 481	\$ —
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	18,545	736	—
Total	\$ 19,070	\$ 1,217	\$ —

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

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

3. Impairment losses on securities

During the fiscal year ended March 31, 2023, impairment loss recorded on securities amounted to ¥544 million (U.S.\$4,079 thousand) (securities classified as other securities, etc.: ¥544 million (U.S.\$4,079 thousand)) and during the fiscal year ended March 31, 2022, impairment loss recorded on securities amounted to ¥544 million (securities classified as other securities, etc.: ¥544 million).

The Company recognizes the impairment losses where the decline in the price at year end is greater than or equal to 50% of the acquisition cost. Where the decline in the price is between 30% and less than 50% of the acquisition cost, the Company may recognize impairment losses, taking into consideration the credit rating of the issuer, the materiality of the amount, the likelihood of the securities recovering in price, etc., as well as the analysis of the level of market price by looking at the gap between the book value and the highest and lowest price and other data during the fiscal years ended March 31, 2023 and 2022.

XV. Derivatives

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency-related

As of March 31, 2023
Not applicable
As of March 31, 2022
Not applicable

(2) Interest rate-related

As of March 31, 2023
Not applicable
As of March 31, 2022
Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related

As of March 31, 2023

Hedge accounting	Type of contracts	Hedged item	Millions of yen			
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value	
Principle treatment	Currency swap contracts					
	Receive yen, pay U.S. dollars	Borrowings	¥	7,256	¥	– ¥ (200)
	Currency swap contracts					
	Receive yen, pay Thai baht	Borrowings		1,134		– (10)
Total			¥	8,391	¥	– ¥ (210)

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	Borrowings	\$ 54,343	\$ –	\$ (1,502)
	Currency swap contracts				
	Receive yen, pay Thai baht	Borrowings	8,493	–	(78)
Total			\$ 62,835	\$ –	\$ (1,580)

As of March 31, 2022

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

(2) Interest rate-related
As of March 31, 2023

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	¥ 51,849	¥ 27,770	¥ 623
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	8,243	7,423	(Note)
Total			¥ 60,093	¥ 35,194	¥ 623

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	\$ 388,270	\$ 207,958	\$ 4,666
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	61,731	55,593	(Note)
Total			\$ 450,002	\$ 263,551	\$ 4,666

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, 2022

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	¥ 79,840	¥ 42,480	¥ (354)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	15,637	8,037	(Note)
Total			¥ 95,478	¥ 50,518	¥ (354)

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.

XVI. Retirement benefits

1. Overview of the Group's retirement benefits plan

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

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

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

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

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

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

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Retirement benefit obligations at beginning of year	¥ 13,337	¥ 12,217	\$ 99,878
Service cost	595	574	4,463
Interest cost	69	65	522
Actuarial gains or losses	81	46	612
Retirement benefits paid	(618)	(535)	(4,631)
Decrease due to the transition to the defined-contribution pension plan	-	(52)	-
Increase by the new consolidated subsidiary	-	1,023	-
Retirement benefit obligations at end of year	¥ 13,466	¥ 13,337	\$ 100,844

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
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Plan assets at beginning of year	¥ 11,889	¥ 11,731	\$ 89,034
Expected return on plan assets	221	212	1,658
Actuarial gains or losses	(195)	(55)	(1,465)
Contribution from employer	853	480	6,394
Retirement benefits paid	(400)	(476)	(3,002)
Decrease due to the transition to the defined-contribution pension plan	-	(3)	-
Plan assets at end of year	¥ 12,368	¥ 11,889	\$ 92,618

(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, 2023	As of March 31, 2022	As of March 31, 2023
Retirement benefit obligations for funded pension plans	¥ 13,466	¥ 13,337	\$ 100,844
Plan assets	(12,368)	(11,889)	(92,618)
Net assets or liabilities recorded in the consolidated balance sheets	1,098	1,448	8,226
Retirement benefit liability	1,621	1,536	12,142
Retirement benefit asset	(523)	(88)	(3,917)
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,098	¥ 1,448	\$ 8,226

(4) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Service cost	¥ 595	¥ 574	\$ 4,463
Interest cost	69	65	522
Expected return on plan assets	(221)	(212)	(1,658)
Amortization of actuarial loss	140	135	1,051
Other	(54)	(66)	(410)
Retirement benefit expenses for defined-benefit pension plan	¥ 529	¥ 495	\$ 3,969

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
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Actuarial gains or losses	¥ 257	¥ 39	\$ 1,927

(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, 2023	As of March 31, 2022	As of March 31, 2023
Unrecognized actuarial gains or losses	¥ (299)	¥ (42)	\$ (2,245)

(7) Plan assets

1) Breakdown of plan assets

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

	As of March 31, 2023	As of March 31, 2022
	%	%
Bonds	38	37
Shares	16	17
Cash and deposits	5	5
General account	31	31
Other	10	10
Total	100	100

Note: The total includes retirement benefits trust established for corporate pension plan at 4% in the fiscal year ended March 31, 2023 and 4% in the fiscal year ended March 31, 2022.

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

	As of March 31, 2023	As of March 31, 2022
	%	%
Discount rate	0.10 - 1.00	0.10 - 1.00
Expected long-term rate of return	1.00 - 2.50	1.00 - 2.50
Expected increase in salary	1.28 - 3.75	1.28 - 3.75

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

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

	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 - March 31, 2023)	FY2021 (April 1, 2021 - March 31, 2022)	FY2022 (April 1, 2022 - March 31, 2023)
Retirement benefit liability at beginning of year	¥ 1,438	¥ 752	\$ 10,772
Retirement benefit expenses	233	130	1,748
Retirement benefits paid	(170)	(87)	(1,280)
Increase by the new consolidated subsidiary	—	643	—
Retirement benefit liability at end of year	¥ 1,500	¥ 1,438	\$ 11,239

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, 2023	As of March 31, 2022	As of March 31, 2023
Retirement benefit obligations for funded pension plans	¥ 649	¥ 540	\$ 4,865
Plan assets	(166)	(165)	(1,248)
	482	374	3,617
Retirement benefit obligations for unfunded pension plans	1,017	1,063	7,623
Net assets or liabilities recorded in the consolidated balance sheets	1,500	1,438	11,239
Retirement benefit liability	1,500	1,438	11,239
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,500	¥ 1,438	\$ 11,239

(3) Retirement benefit expenses

Retirement benefit expenses calculated by simplified accounting method
FY2022 (April 1, 2022 - March 31, 2023): ¥233 million (U.S.\$1,748 thousand)
FY2021 (April 1, 2021 - March 31, 2022): ¥130 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, 2023 and 2022 the amount required to be contributed by the Company and consolidated subsidiaries to the defined-contribution pension plan amounted to ¥198 million (U.S.\$1,485 thousand) and ¥155 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, 2023 and 2022 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 ¥253 million (U.S.\$1,899 thousand) and ¥244 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, 2023	As of March 31, 2022	As of March 31, 2023
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Amount of plan assets	¥ 17,742	¥ 16,327	\$ 132,862
Actuarial liability under pension funding programs	18,433	17,759	138,035
Difference	¥ (690)	¥ (1,431)	\$ (5,173)

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

FY2022: 14.869% (From April 1, 2022 to March 31, 2023)
FY2021: 14.624% (From April 1, 2021 to March 31, 2022)

(3) Supplementary explanation

The main reasons for the difference in (1) above are the balance of prior service obligations under pension funding programs (¥6,235 million (U.S.\$46,691 thousand) in the fiscal year ended March 31, 2023, ¥6,741 million in the fiscal year ended March 31, 2022) and general reserve (¥3,728 million (U.S.\$27,922 thousand) in the fiscal year ended March 31, 2023, ¥3,728 million in the fiscal year ended March 31, 2022).
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.

XVII. Stock options, etc.

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

Not applicable

2. Gains on expiration of unexercised stock options

	Millions of yen		Thousands of U.S. dollars
	FY2022 (From April 1, 2022 to March 31, 2023)	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Non-operating income (Other)	¥ -	¥ 12	\$ -

3. Details, number and status of stock options

(1) Details of stock options

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

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

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

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

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

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

(2) Movement in stock options

The number of stock options that existed during the fiscal year ended March 31, 2023 is translated into the number of shares.

1) Number of stock options

	Stock options for 2008	Stock options for 2009	Stock options for 2010	Stock options for 2011	Stock options for 2012
Pre-vesting (shares)					
Previous fiscal year-end	–	–	–	–	–
Granted	–	–	–	–	–
Expired	–	–	–	–	–
Vested	–	–	–	–	–
Balance unvested	–	–	–	–	–
Post-vesting (shares)					
Previous fiscal year-end	1,300	8,600	13,500	18,600	26,900
Vested	–	–	–	–	–
Exercised	1,300	1,800	1,400	2,400	4,800
Expired	–	–	–	–	–
Balance unexercised	–	6,800	12,100	16,200	22,100

	Stock options for 2013	Stock options for 2014	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	16,800	22,500	20,200	29,400	20,000
Vested	–	–	–	–	–
Exercised	4,200	3,300	3,200	6,700	1,900
Expired	–	–	–	–	–
Balance unexercised	12,600	19,200	17,000	22,700	18,100

2) Unit price

	Stock options for 2008	Stock options for 2009	Stock options for 2010	Stock options for 2011	Stock options for 2012
	Yen	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price per share at exercise	7,048	7,048	7,048	7,340	7,219
Fair value at grant date	1,610	1,668	2,218	2,449	1,943

	Stock options for 2013	Stock options for 2014	Stock options for 2015	Stock options for 2016	Stock options for 2017
	Yen	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price per share at exercise	7,391	7,537	7,592	7,855	7,548
Fair value at grant date	3,556	3,584	4,653	4,606	6,840

4. Estimation method for fair value of stock options

Not applicable

5. Estimation method for the number of vested stock options

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

XVIII. 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, 2023	As of March 31, 2022	As of March 31, 2023
Deferred tax assets			
Enterprise taxes payable	¥ 2,863	¥ 554	\$ 21,440
Excess of allowance for doubtful accounts	1,655	1,779	12,398
Loss on valuation of investment securities, etc.	1,328	728	9,946
Guarantee deposits received	1,328	1,174	9,945
Retirement benefit liability	983	1,070	7,361
Provision for bonuses	914	855	6,851
Accrued expenses	760	983	5,697
Asset retirement obligations	657	566	4,923
Loss on liquidation of subsidiaries and associates	532	–	3,986
Non-deductible consumption tax	407	500	3,049
Revenue recognized for tax purposes	268	403	2,010
Prepaid expenses	258	412	1,932
Excess of depreciation	235	260	1,760
Gain on transfer of receivables	67	344	506
Tax loss carried forward	14	–	109
Share-based payment expenses	–	199	–
Other	2,895	1,943	21,683
Subtotal deferred tax assets	15,169	11,778	113,596
Valuation allowance related to total deductible temporary differences	(123)	(120)	(922)
Subtotal valuation allowance (Note)	(123)	(120)	(922)
Total deferred tax assets	15,046	11,657	112,675
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥ (17,859)	¥ (16,997)	\$ (133,740)
Depreciation	(4,473)	(2,081)	(33,498)
Foreign subsidiary's unitary tax	(2,814)	(1,906)	(21,077)
Intangible assets	(1,940)	(1,545)	(14,531)
Gain on valuation of investment securities	(1,148)	(1,195)	(8,597)
Gain on transfer of receivables	(824)	(942)	(6,172)
Other	(1,518)	(1,134)	(11,374)
Total deferred tax liabilities	(30,579)	(25,803)	(228,988)
Net deferred tax liabilities	¥ (15,532)	¥ (14,145)	\$ (116,314)

Note: The amount of valuation allowance increased by ¥2 million (U.S.\$16 thousand) from the previous fiscal year. This increase was mainly due to an increase of ¥1 million (U.S.\$11 thousand) in valuation allowance for allowance for doubtful accounts at a consolidated subsidiary.

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

As of March 31, 2023

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

As of March 31, 2022

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

XIX. Business combinations, etc.

Business combinations through acquisition

1. Overview of the business combination

(1) Names of acquired company and its business descriptions

Name of acquired company:	Human Centrix Co., Ltd. (hereinafter “HCX”)
Business description:	Business-use video production and distribution services for business-to-business (BtoB) companies

(2) Reasons for the business combinations

In addition to enhancement of the service menu for support to increase work efficiency in the BPO services business, we are creating a high-value added new service menu by combining the Group’s broad sales network and ability to propose solutions with HCX’s video production and distribution services, to further support the solution of challenges in the increasingly sophisticated and complex operation processes of customers.

(3) Date of the business combinations

October 5, 2022

(4) Legal form of the business combinations

Acquisition of shares by cash

(5) Name of the companies after the business combination

No change

(6) Ratio of voting rights acquired

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

(7) Primary basis for the determination of the acquirer

It is because the Company acquired the shares in exchange for cash.

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

From October 1, 2022 to March 31, 2023

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

Acquisition price	Cash and deposits	¥2,418 million	U.S.\$18,107 thousand
Acquisition cost		¥2,418 million	U.S.\$18,107 thousand

4. Details and amounts of main acquisition-related expenses

Compensation and fees, etc. to advisers, etc.: ¥141 million (U.S.\$1,058 thousand)

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

(1) Amount of goodwill recognized

¥776 million (U.S.\$5,816 thousand)

(2) Cause of goodwill

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

(3) Amortization method and period

Straight-line method over a period of 10 years

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 689	\$ 5,163
Non-current assets	106	801
Total assets	796	5,964
Current liabilities	102	768
Non-current liabilities	–	–
Total liabilities	¥ 102	\$ 768

7. Pro forma amounts of impact of the consolidated statement of income for the fiscal year ended March 31, 2023 assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method thereof

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 622	\$ 4,665
Operating profit	113	852
Ordinary profit	129	973
Profit before income taxes	225	1,689
Profit attributable to owners of parent	98	734
	Yen	U.S. dollars
Basic earnings per share	¥ 3.27	\$ 0.02

Method of calculating pro forma amount

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

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

Business combinations through acquisition

1. Overview of the business combination

(1) Names of acquired company and its business descriptions

Name of acquired company:	Pacific Rim Capital, Inc.
Business description:	Operating lease business for material handling equipment (such as forklifts) for corporate customers

(2) Reasons for the business combinations

For the purpose of expanding the revenue base in North America and opening new business fields in the “Mobility” business domain

(3) Date of the business combinations

January 6, 2023

(4) Legal form of the business combinations

Acquisition of shares by cash

(5) Name of the companies after the business combination

No change

(6) Ratio of voting rights acquired

Ratio of voting rights held before the business combination date:	49.00%
Ratio of voting rights additionally acquired on the business combination date:	2.00%
Ratio of voting rights held after the acquisition:	51.00%

(7) Primary basis for the determination of the acquirer

It is because the Company acquired the shares in exchange for cash.

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

Because March 31, 2023 is set as the deemed acquisition date, only the balance sheet has been consolidated. Since the acquired company was an equity-method associate of the Company, its operating results from April 1, 2022 to March 31, 2023 were recorded as “share of profit of entities accounted for using equity method.”

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

Fair value of shares held immediately before the business combination as of the business combination date		¥8,312 million	U.S.\$62,247 thousand
Acquisition price	Cash and deposits	¥2,503 million	U.S.\$18,749 thousand
Acquisition cost		¥10,816 million	U.S.\$80,996 thousand

4. Details and amounts of main acquisition-related expenses

Compensation and fees, etc. to advisers, etc.: ¥102 million (U.S.\$767 thousand)

5. Difference between the acquisition cost of the acquired company and the total amount of the acquisition costs of the respective transactions leading to the acquisition

Loss on step acquisitions: ¥85 million (U.S.\$641 thousand)

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

(1) Amount of goodwill recognized

¥7,483 million (U.S.\$56,042 thousand)

The amount of goodwill is the provisionally calculated amount, because the allocation of acquisition cost was not completed as of March 31, 2023.

(2) Cause of goodwill

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

(3) Amortization method and period

Amortized over a period during which the effects of goodwill will be realized, using the straight-line method. The amortization period will be determined based on results of the allocation of the acquisition cost.

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 16,639	\$ 124,602
Non-current assets	5,121	38,355
Total assets	21,761	162,957
Current liabilities	11,732	87,860
Non-current liabilities	5,487	41,096
Total liabilities	¥ 17,220	\$ 128,955

8. Allocation of acquisition cost

Because identification of identifiable assets and liabilities on the business combination date and determination of the fair value as well as the allocation of the acquisition cost were not completed as of March 31, 2023, provisional accounting treatment was conducted based on reasonable information available at that time.

9. Pro forma amounts of impact of the consolidated statement of income for the fiscal year ended March 31, 2023 assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method thereof

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 5,865	\$ 43,922
Operating profit	1,822	13,646
Ordinary profit	952	7,134
Profit before income taxes	952	7,134
Profit attributable to owners of parent	212	1,589
	Yen	U.S. dollars
Basic earnings per share	¥ 7.08	\$ 0.05

Method of calculating pro forma amount

The pro forma amount of the impact is the difference between net sales and profit or loss information calculated assuming that the business combination had been completed at the beginning of the fiscal year and net sales and profit or loss information in the consolidated statements of income of the acquirer. In addition, the calculation was made, net of “share of profit of entities accounted for using equity method” of the acquired company that was recorded in the fiscal year ended March 31, 2023. Please be advised that the notes stated above have not obtained audit certification.

Transactions under common control etc.

Additional acquisition of subsidiary shares

1. Overview of the transaction

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

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

(2) Date of the business combinations

April 1, 2022

(3) Legal form of the business combinations

Acquisition of shares from a non-controlling shareholder

(4) Name of the companies after the business combination

No change

(5) Other matters related to overview of transaction

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

2. Overview of accounting treatment implemented

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

3. Matters concerning the additional acquisition of subsidiary shares

Acquisition cost and breakdown by type of consideration

Acquisition price	Cash and deposits	¥6,869 million	U.S.\$51,442 thousand
Acquisition cost		¥6,869 million	U.S.\$51,442 thousand

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

(1) Main reasons for the change in capital surplus

Additional acquisition of subsidiary shares

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

¥5,376 million (U.S.\$40,258 thousand)

XX. Asset retirement obligations

This information has been omitted because of immateriality.

XXI. 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 ¥9,184 million (U.S.\$68,775 thousand) and ¥6,307 million (lease income and lease cost were generally recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2023 and 2022, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Book value			
Beginning of year	¥ 397,170	¥ 344,843	\$ 2,974,171
Net change	103,446	52,326	774,649
End of year	500,617	397,170	3,748,821
Fair value at end of year	¥ 512,182	¥ 409,458	\$ 3,835,427

Notes: 1. The book value on the consolidated balance sheet is the amount after deduction of accumulated depreciation from acquisition cost.
2. The increase of book value is mainly attributable to the purchase of real estate of ¥200,716 million (U.S.\$1,503,043 thousand) and ¥174,318 million, in the fiscal years ended March 31, 2023 and 2022, 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, 2023. 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.

XXII. Revenue recognition

1. Information on disaggregation of revenue from contracts with customers

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

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

	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	\$ 1,360,338	\$ –	\$ –	\$ 1,360,338
Provision of services, etc.	24,205	593	359,207	384,005
Total	1,384,543	593	359,207	1,744,343
Other revenue	3,197,334	195,664	19,580	3,412,578
Revenues from external customers	\$ 4,581,877	\$ 196,257	\$ 378,787	\$ 5,156,921

About Us	Top Message	Shared Value Story	Strategy & Action	Management	Corporate Governance	Financial Section & Corporate Date
----------	-------------	--------------------	-------------------	------------	----------------------	------------------------------------

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

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

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.”

XXIII. Segment information, etc.

Segment information

1. Description of reportable segments

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

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

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

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

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

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

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

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 611,863	¥ 26,208	¥ 50,583	¥ 688,655
Transactions with other segments	741	3,584	2,742	7,069
Net sales	612,605	29,792	53,326	695,724
Segment profit	¥ 36,679	¥ 18,605	¥ 10,106	¥ 65,390
Segment assets	¥ 1,737,604	¥ 1,128,429	¥ 135,058	¥ 3,001,092
Other items				
Depreciation	40,595	–	3,138	43,734
Amortization of goodwill	49	324	1,246	1,619
Investments in entities accounted for using equity method	–	–	–	–
Increase in property, plant and equipment and intangible assets	¥ 216,032	¥ –	¥ 6,244	¥ 222,276

	Thousands of U.S. dollars				
	Lease and Installment Sales	Financing	Other	Total	
Sales					
Revenues from external customers	\$ 4,581,877	\$ 196,257	¥ 378,787	¥	5,156,921
Transactions with other segments	5,556	26,842	20,540		52,938
Net sales	4,587,433	223,099	399,327		5,209,859
Segment profit	\$ 274,670	\$ 139,324	¥ 75,680	¥	489,673
Segment assets	\$ 13,011,865	\$ 8,450,124	¥ 1,011,373	¥	22,473,363
Other items					
Depreciation	303,999	–	23,500		327,499
Amortization of goodwill	369	2,429	9,331		12,129
Investments in entities accounted for using equity method	–	–	–		–
Increase in property, plant and equipment and intangible assets	\$ 1,617,733	\$ –	¥ 46,762	¥	1,664,495

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

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

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
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Reportable segments total	¥ 695,724	¥ 664,694	\$ 5,209,859
Eliminations	(7,069)	(6,847)	(52,938)
Net sales reported on the consolidated statements of income	¥ 688,655	¥ 657,847	\$ 5,156,921

Profit	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Reportable segments total	¥ 65,390	¥ 58,053	\$ 489,673
Eliminations	(2,451)	(699)	(18,360)
Corporate expenses (Note)	(11,377)	(11,319)	(85,202)
Operating profit reported on the consolidated statements of income	¥ 51,561	¥ 46,034	\$ 386,111

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
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Reportable segments total	¥ 3,001,092	¥ 2,858,349	\$ 22,473,363
Corporate assets (Note)	148,647	91,354	1,113,135
Total assets reported on the consolidated balance sheets	¥ 3,149,740	¥ 2,949,704	\$ 23,586,497

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
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Reportable segments total	¥ 43,734	¥ 49,244	\$ 327,499
Adjustment	2,161	1,789	16,188
Amounts reported on the consolidated financial statements	¥ 45,895	¥ 51,034	\$ 343,687

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

Amortization of goodwill	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Reportable segments total	¥ 1,619	¥ 1,405	\$ 12,129
Adjustment	–	–	–
Amounts reported on the consolidated financial statements	¥ 1,619	¥ 1,405	\$ 12,129

Investments in entities accounted for using equity method	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Reportable segments total	¥ –	¥ –	\$ –
Adjustment	45,804	42,075	343,000
Amounts reported on the consolidated financial statements	¥ 45,804	¥ 42,075	\$ 343,000

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
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Reportable segments total	¥ 222,276	¥ 225,419	\$ 1,664,495
Adjustment	2,676	2,179	20,041
Amounts reported on the consolidated financial statements	¥ 224,952	¥ 227,599	\$ 1,684,536

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

FY2022 (From April 1, 2022 to March 31, 2023)
This information is omitted as it is identical to that in segment information.

FY2021 (From April 1, 2021 to March 31, 2022)
This information is omitted as it is identical to that in segment information.

2. Information for each region

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

(1) Revenues from external customers

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

(2) Property, plant and equipment

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

Thousands of U.S. dollars						
Japan	North America and Latin America	Europe		Asia	Total	
		Ireland	Other			
\$ 5,045,653	\$ 210,250	\$ 1,047,106	\$ 162	\$ 2,582	\$ 6,305,754	

Notes: 1. The figures shown are presented according to the respective countries and regions of the Company and its consolidated subsidiaries.
2. The following geographic categories primarily include the respective countries and regions shown below.
North America and Latin America: United States, Canada, Mexico
Europe: United Kingdom, Ireland
Asia: China, Taiwan, Singapore, Thailand

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

(1) Revenues from external customers

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

(2) Property, plant and equipment

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

Notes: 1. The figures shown are presented according to the respective countries and regions of the Company and its consolidated subsidiaries.
2. The following geographic categories primarily include the respective countries and regions shown below.
North America and Latin America: United States
Europe: United Kingdom, Ireland
Asia: China, Taiwan, Singapore, Thailand

3. Information for each of main customers

FY2022 (From April 1, 2022 to March 31, 2023)
It is omitted since among the revenues from external customers, there are no specific customers accounting for 10% or more of net sales on the consolidated statement of income.

FY2021 (From April 1, 2021 to March 31, 2022)
It is omitted since among the revenues from external customers, there are no specific customers accounting for 10% or more of net sales on the consolidated statement of income.

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

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

Millions of yen						
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total	
Impairment losses	¥ -	¥ -	¥ 0	¥ -	¥ 0	

Thousands of U.S. dollars						
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total	
Impairment losses	\$ -	\$ -	\$ 6	\$ -	\$ 6	

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

Millions of yen						
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total	
Impairment losses	¥ 2,048	¥ -	¥ 642	¥ -	¥ 2,690	

Amortization and unamortized balance of goodwill for each reportable segment

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

Millions of yen						
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total	
Balance at end of period	¥ 7,631	¥ 4,460	¥ 15,893	¥ -	¥ 27,986	

Thousands of U.S. dollars						
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total	
Balance at end of period	\$ 57,148	\$ 33,402	\$ 119,020	\$ -	\$ 209,571	

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

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

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

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

Information about gain on bargain purchase for each reportable segment

FY2022 (From April 1, 2022 to March 31, 2023)
Not applicable

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

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

Type	Name	Location	Capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥111,609	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	¥67	Lease receivables and investments in leases	¥17,259
							Purchase of operating assets	¥41,758		
							Sale of operating assets	¥65,740		

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	\$835,772	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	\$508	Lease receivables and investments in leases	\$129,246
							Purchase of operating assets	\$312,705		
							Sale of operating assets	\$492,287		

Notes: 1. Lease transactions are concluded upon submission of estimates based on actual market conditions, and are subject to the same terms and conditions as general transactions.
2. The purchase and sale of operating assets is determined based on the actual market price. The transaction amount records the total transaction amount that occurred in the fiscal year ended March 31, 2023.

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

Type	Name	Location	Capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥111,609	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	¥4,710	Lease receivables and investments in leases	¥63,012
							Purchase of operating assets	¥26,960		
							Sale of operating assets	¥2,559		

Notes: 1. Lease transactions are concluded upon submission of estimates based on actual market conditions, and are subject to the same terms and conditions as general transactions.
2. The purchase and sale of operating assets is determined based on the actual market price. The transaction amount records the total transaction amount that occurred in the fiscal year ended March 31, 2022.

(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.

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

Not applicable

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

Not applicable

2. Notes to parent company and significant associates

(1) Parent company's information

There is no parent company.

(2) Summary financial information for significant associates

There are no significant associates.

XXIV. Information on special purpose entities

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Number of special purpose entities	Three companies	Two companies	Three companies
Total value of assets as of the latest balance sheet (without elimination of inter-company transactions)	¥ 21,557	¥ 19,608	\$ 161,428
Total value of liabilities as of the latest balance sheet (without elimination of intercompany transactions)	21,550	19,603	161,378

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

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

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

	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)	\$ 21,095	Gain on transfer (Note 2)	\$ 574
Lease receivables and investments in leases			

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

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

	Amount of major transactions or the balance as of the end of the fiscal year (Millions of yen)	Major gain or loss	
		Item	Amount (Millions of yen)
Transferred assets (Note 1)	¥ 15,996	Gain on transfer (Note 2)	¥ 141
Lease receivables and investments in leases			

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

XXV. Per share information

	Yen		U.S. dollars
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Net assets per share	¥ 12,227.88	¥ 11,121.96	\$ 91.57
Basic earnings per share	1,299.27	1,130.52	9.73
Diluted earnings per share	1,292.42	1,123.38	9.68

Notes: 1. Treasury shares are deducted when calculating the number of common shares as of the fiscal year-end, used in the computation of the net assets per share and includes the Company's shares owned by the Board Benefit Trust (BBT). The number of treasury shares owned by the Board Benefit Trust (BBT) as of the fiscal year-end is 149,800 shares for the fiscal year ended March 31, 2023 and 177,100 shares for the fiscal year ended March 31, 2022.
2. Treasury shares are deducted when calculating the average number of shares during the period, used in the computation of the basic earnings per share and includes the Company's shares owned by the Board Benefit Trust (BBT). The average number of treasury shares owned by the Board Benefit Trust (BBT) during the period is 151,368 shares for the fiscal year ended March 31, 2023 and 121,150 shares for the fiscal year ended March 31, 2022.
3. Calculation basis of net assets per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of March 31, 2022	As of March 31, 2023
Total net assets	¥ 409,437	¥ 374,239	\$ 3,066,031
Amounts excluded from total net assets	42,795	41,405	320,467
Of which, share acquisition rights	541	650	4,058
Of which, non-controlling interests	42,253	40,754	316,409
Net assets attributable to common shares	366,642	332,834	2,745,565
Number of common shares as of the fiscal year-end used in the calculation of net assets per share (thousands shares)	29,984	29,925	29,984

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

	Millions of yen		Thousands of U.S. dollars
	FY2022 (April 1, 2022 – March 31, 2023)	FY2021 (April 1, 2021 – March 31, 2022)	FY2022 (April 1, 2022 – March 31, 2023)
Basic earnings per share			
Profit attributable to owners of parent	¥ 38,939	¥ 33,886	\$ 291,597
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	38,939	33,886	291,597
Average number of shares during the period (thousands shares)	29,970	29,974	29,970
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ —	¥ —	\$ —
Increase in the number of common shares (thousands shares)	158	190	158
Residual securities that are not dilutive and not included in the calculation of diluted earnings per share	—	—	—

XXVI. Subsequent events

Corporate bond issuance

The Company issued straight bonds as follows:

1. Fuyo General Lease Co., Ltd., No. 36 unsecured straight bond

- (1) Issue name: Fuyo General Lease Co., Ltd., No. 36 unsecured straight bond
- (2) Issuance amount: ¥20,000 million (U.S.\$149,768 thousand)
- (3) Issuance date: June 7, 2023
- (4) Issue price: ¥100 per ¥100 of face value
- (5) Coupon rate: 0.270% per year
- (6) Redemption date: June 5, 2026
- (7) Use of proceeds: To fund capital investments

2. Fuyo General Lease Co., Ltd., No. 37 unsecured straight bond

- (1)Issue name: Fuyo General Lease Co., Ltd., No. 37 unsecured straight bond
- (2)Issuance amount: ¥20,000 million (U.S.\$149,768 thousand)
- (3)Issuance date: June 7, 2023
- (4)Issue price: ¥100 per ¥100 of face value
- (5)Coupon rate: 0.435% per year
- (6)Redemption date: June 7, 2028
- (7)Use of proceeds: To fund capital investments

Independent Auditor’s Report



Independent Auditor’s Report

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

Opinion

We have audited the accompanying consolidated financial statements of Fuyo General Lease Co., Ltd. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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



Estimate of residual value of real estate under operating lease transactions	
Description of Key Audit Matter	Auditor’s Response
<p>Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group) is engaged in leasing, installment sales, commercial loan origination, and other financial services. The Group recorded assets for lease of ¥797,218 million in property, plant and equipment, at cost less accumulated depreciation on the consolidated balance sheets for the fiscal year ended March 31, 2023. Real estate lease assets with a carrying amount of ¥500,617 million were recognized as described in Note XXI, “Real estate leasing business,” to the consolidated financial statements. These assets account for 16% of consolidated total assets.</p> <p>As described in “4. Summary of significant accounting policies,” “(2) Depreciation and amortization” under Note I, “Basis of presentation,” assets leased under operating lease transactions are depreciated to their residual value using the straight-line method over the lease term and the depreciation cost is included in the cost of sales. The residual value at the end of the lease term is estimated at the inception of the lease and is revised, as deemed necessary, during the lease term. If a loss on disposal of the leased assets is expected, the corresponding amount is recorded under cost of sales.</p> <p>As described in Note II, “Significant accounting estimates,” the Group estimates the residual value using future cash flows and discount rates, and the significant assumption for estimating the residual value is future cash flows. The future cash flows of real estate lease transactions are estimated based on considerations such as terms of contracts, rents, and occupancy rates. However, these transactions are highly individual in nature and the estimation of the residual value requires complex judgment, and specialized knowledge and experience. In addition, since the value of each property in real estate lease transactions is significant and operating lease transactions are not full payout, an inaccurate estimation of the residual value can have a considerable impact on profit or loss calculations.</p> <p>Based on the above, we have determined the estimation of the residual value of real estate under operating lease transactions to be a key audit matter.</p>	<p>We performed the following audit procedures, among others, to evaluate the key assumptions such as future cash flows and other inputs required to estimate the residual value of real estate under operating lease transactions by selecting a sample of transactions based on quantitative significance, remaining years of the lease term, and the type of lease payments:</p> <p>(1) Audit procedures performed for lease contracts that commenced in the current year</p> <ul style="list-style-type: none">• 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.• In addition, for properties selected according to certain criteria, 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.• Further, we recalculated the residual value to evaluate the Group’s estimation process. <p>(2) Audit procedures performed for lease contracts that commenced in previous years</p> <p>In order to evaluate the Group’s estimate of the residual value, we compared actual rents and occupancy rates with the original estimates to analyze the cause of differences.</p> <p>(3) Audit procedures performed for lease contracts terminated during the current year</p> <p>In order to evaluate the effectiveness of the Group’s estimation process, we reconciled actual sale prices with the sale agreements and compared these prices with the estimated residual values.</p>

Independent Auditor’s Report



Determination of indications of impairment of goodwill	
Description of Key Audit Matter	Auditor’s Response
<p>The Group acquires businesses with the aim of further expanding and growing its business and recorded goodwill of ¥27,986 million on the consolidated balance sheets for the fiscal year ended March 31, 2023, which consists of goodwill related to the acquisition of Accretive Co., Ltd., G.I Holdings Inc., LN Holdings, Co., Ltd., Yamato Lease Co., Ltd., Work Vision Co., Ltd., Human Centrix Co., Ltd., and Pacific Rim Capital, Inc.</p> <p>As described in “4. Summary of significant accounting policies,” “(9) Amortization method and period of goodwill” under Note I, “Basis of presentation,” the Group estimates the useful life of goodwill and amortizes it on a straight-line basis over this period. However, if there are any significant changes having an adverse effect on the entity and the recoverable amount of goodwill is assumed to decrease, the Group determines that there is an indication that goodwill may be impaired. If the total amount of expected undiscounted future cash flows is less than the carrying amount of the cash generating unit (CGU), an impairment loss on goodwill must be recognized.</p> <p>The Group determines whether there are any indications of impairment by, for example, comparing the initial business plan at the time of acquisition of each subsidiary with actual results, analyzing factors related to the differences between them, and considering the impact on future performance based on these factors. This involves significant management judgment on the current and future business environment. In addition, with the increase in goodwill due to multiple acquisitions in the past several years, the significance of management judgment related to the indications of impairment of goodwill has also increased.</p> <p>Based on the above, we have determined the determinations regarding indications of impairment of goodwill to be a key audit matter.</p>	<p>We performed the following audit procedures, among others, to evaluate the Group’s determinations regarding indications of impairment of the CGU to which goodwill belongs.</p> <ul style="list-style-type: none">• In order to evaluate determinations by the Group regarding the possibility of significant deterioration in the operating environment, we performed a comparative analysis between the initial business plan at the time of acquisition of each subsidiary with the actual financial results through the end of the current fiscal year and a variance analysis on the differences identified between the business plan figures and actual results.• In order to evaluate determinations by the Group regarding the possibility of significant future deterioration in the operating environment, we made inquiries of the responsible department about the basis for estimates of revenue growth rates and so forth of each subsidiary, performed trend analysis, and compared the revenue growth rates of each subsidiary with external data, such as growth rates of the industry to which each subsidiary belongs.• In order to evaluate the Group’s determination of whether any changes have occurred or are expected to occur, which significantly reduce recoverable amounts, we made inquiries of management and inspected related materials to consider the consistency between the initial business plan of each subsidiary, the business policy of the Group for the current and following fiscal years, and the Group’s medium-term business plan.

Other Information

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

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

Ernst & Young ShinNihon LLC



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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Ernst & Young ShinNihon LLC

Independent Auditor’s Report



We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

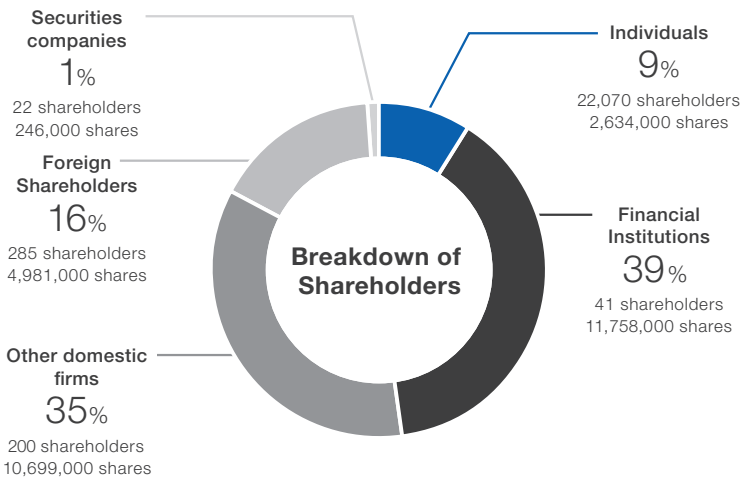
August 9, 2023
/s/ Yuji Ozawa
Designated Engagement Partner
Certified Public Accountant

/s/ Toru Nakagiri
Designated Engagement Partner
Certified Public Accountant

Stock Information

As of March 31, 2023

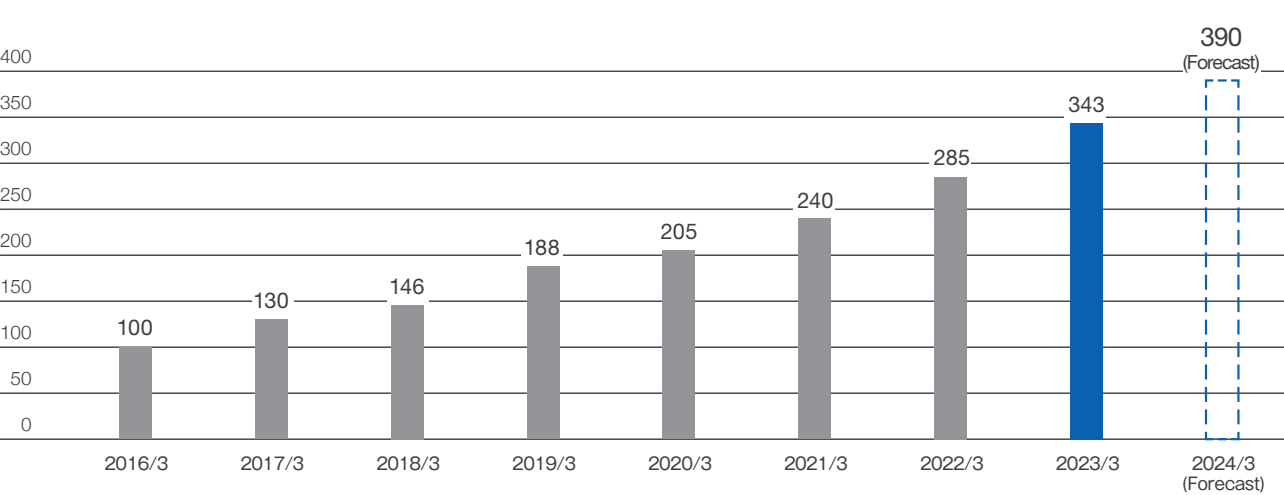
Stock Overview	
Total number of authorized share	100,000,000 shares
Number of shares outstanding	30,288,000 shares
Share unit number	100 shares
Number of shareholders	22,622



Major Shareholders (Top 10)

Shareholders	Number of shares held (in thousands)	Shareholding ratio (%)
Hulic Co., Ltd.	4,218	14.0%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,608	8.7%
Meiji Yasuda Life Insurance Company	2,555	8.5%
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account); Custody Bank of Japan, Ltd. as a Trustee of Retruest	1,512	5.0%
Custody Bank of Japan, Ltd. (Trust Account)	1,241	4.1%
Sompo Japan Insurance Inc.	1,002	3.3%
Azbil Corporation	1,000	3.3%
Mizuho Bank, Ltd.	907	3.0%
NICHIREI CORPORATION	416	1.4%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	400	1.3

Annual dividend per share (Yen)



Participation in Initiatives

UNGC: United Nations Global Compact

The United Nations Global Compact (UNGC) is a voluntary initiative in which companies and organizations participate in the creation of a global framework for sustainable growth by demonstrating responsible and creative leadership. We became a signatory in January 2018.

TCFD: Task Force on Climate-related Financial Disclosures

TCFD is a task force established by the Financial Stability Board (FSB) to provide a framework for climate change related disclosures. In May 2019, the Company expressed its endorsement of the TCFD Recommendations and has implemented information disclosures based on the recommendations.

RE100 Renewable Electricity 100

RE100 member companies commit to a target of 100% renewable energy use in their businesses by 2050. Fuyo Lease became a member in September 2018, announced targets of 50% renewable energy use by 2024 and 100% by 2030.

JCLP: Japan Climate Leaders' Partnership

Fuyo Lease became an executive member of JCLP, a coalition of companies working toward a sustainable, zero-carbon society, in December 2018. As well as engaging in our own zero-carbon initiatives, we are involved in a broad range of activities that address climate change, such as providing solutions that will help the transition to a zero-carbon society, collaborating with global networks, and making policy recommendations.

Ellen MacArthur Foundation

The Ellen MacArthur Foundation is an international charity with a mission to accelerate the transition to a circular economy. We became a Member of the Foundation's Network in November 2020 to acquire knowledge of the circular economy and collaborate with other companies and organizations.

Financial Behavior Principles for the Formation of a Sustainable Society
Principles for Financial Action for the 21st Century

The Principles for Financial Action for the 21st Century were formulated as the policy recommendation for financial institutions seeking to fulfill their roles and responsibilities in forming a sustainable society. Fuyo Lease signed the principles in June 2016.

The Japan Circular Economy Partnership (J-CEP)

A partnership in which companies aiming to realize a sustainable society work to promote a circular economy in collaboration with residents, governments, universities and other organizations. Fuyo Lease has been a member since the time of J-CEP's foundation in October 2021.

Third-Party Evaluation

Inclusion in ESG-related Stock Indices

We are strengthening our environment, social, and governance (ESG) initiatives as well as progressing CSV activities to solve social problems.

We have been evaluated by the following third-party organizations that mainly evaluate companies based on nonfinancial information.

FTSE4Good

FTSE Blossom Japan

S&P/JPX Carbon Efficient Index

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2023 Sompo Sustainability Index

The Company received the Gold Award (Ministry of the Environment Award) in the bonds category of the ESG Finance Awards in fiscal 2019, and the Special Prize in the indirect finance category in fiscal 2021.

We were recognized by the Ministry of the Environment as an excellent business under the ESG lease business Certification of Excellent Efforts.

Fuyo Lease was awarded 'Grand Prize' under the evaluation of the Chiyoda City Global Warming Action Plan Initiative for 2021.

The Company's "Fuyo Lease Group Integrated Report 2020" received the Excellence Award in the Environmental Reporting category of the 24th Environmental Communication Awards hosted by the Ministry of the Environment and Global Environmental Forum.

We received Platinum Kurumin certification in fiscal 2017, which is awarded to companies with Kurumin certification that have executed initiatives at a higher standard.

Under the 2023 Certified Health and Productivity Management Organization (Large Enterprise Category), we were recognized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (Japan Health Council) as a listed company carrying out excellent health and productivity management.

We entered the PRIDE Index 2022, which assesses efforts to make workplaces welcoming to sexual minorities, and were awarded Bronze certification.

* The inclusion of Fuyo General Lease in any MSCI Index, and the use of MSCI logos, trademarks, service marks or Index names herein, do not constitute a sponsorship, endorsement or promotion of Fuyo General Lease by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

In fiscal 2021, the Company was certified as an "Eruboshi" company as it has met specific criteria (recruitment, continuous employment, way of working including working hours, percentage of female managers, diverse career paths) for certification as an excellent company promoting the advancement of women in the workplace, etc. under the Act on the Promotion of Female Participation and Career Advancement in the Workplace.

FUYO LEASE

FUYO GENERAL LEASE CO.,LTD.

Kojimachi Garden Tower, 5-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
Phone: +81-3-5275-8800

<https://www.fgl.co.jp/eng/>

