

FUYO LEASE GROUP

Fuyo Lease Group Integrated Report

2024

Contents

About Us

Contents	01
Mission, Vision and Values	03
CSV Management	04

Shared Value Story

History of Value Creation	05
Top Message	07
At a Glance	11
Value Creation Process	13
Materiality	15
Initiatives to Improve Social Value	17

Strategy & Action

Medium-Term Management Plan Fuyo Shared Value 2026	19
Value Creation by Business Area	
Energy & Environment	21
Circular Economy	23
BPO/ICT	25
Mobility & Logistics	27
Healthcare	29
Real Estate	31
Aircraft	32
Initiatives to Address New Domains	33
Networks & Partnerships	
Partnerships	34
Global & Diversity	35
Fuyo Lease Group Network	36

Foundation for Shared Value Story

Message from Senior Financial Officer	37
Human Capital	39
DX Strategy	43
Climate Change Response	45
Initiatives to Realize a Circular Society	49
Initiatives for Respect for Human Rights	51
Initiatives related to Biodiversity	52
Community Contribution	52

Corporate Governance

Board Members	53
Message from an Outside Director	55
Corporate Governance	57
CSV Promotion System	62
Risk Management	63
Compliance	66

Financial Section & Corporate Data

Independent Assurance Report	67
Financial Section	70
Stock Information	138
Participation in Initiatives	139
Third-Party Evaluation	140

About Us	Shared Value Story	Strategy & Action	Foundation for Shared Value Story	Corporate Governance	Financial Section & Corporate Data
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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 2024
The Group has set forth its Mission, Vision and Values, and centers its management on Creating Shared Value (CSV) to achieve these goals, aiming for sustainable corporate growth by addressing social issues. Our understanding of these issues and strategies is outlined in Fuyo Shared Value 2026, our medium-term management plan, from both financial and non-financial perspectives. This report has been prepared to help you understand our efforts and progress in implementing these strategies. Please refer to the "Outline of this Report" below for the structure of the report.

Reporting Period
Fiscal year 2023 (April 2023 - March 2024)
*The report also includes some information pertaining to fiscal year 2024.

Scope of Reporting
Fuyo General Lease Co., Ltd., its 66 consolidated subsidiaries and 16 affiliate companies

Reference Guidelines
International Financial Reporting Standards Foundation "International Integrated Reporting Framework" (published in January 2021)

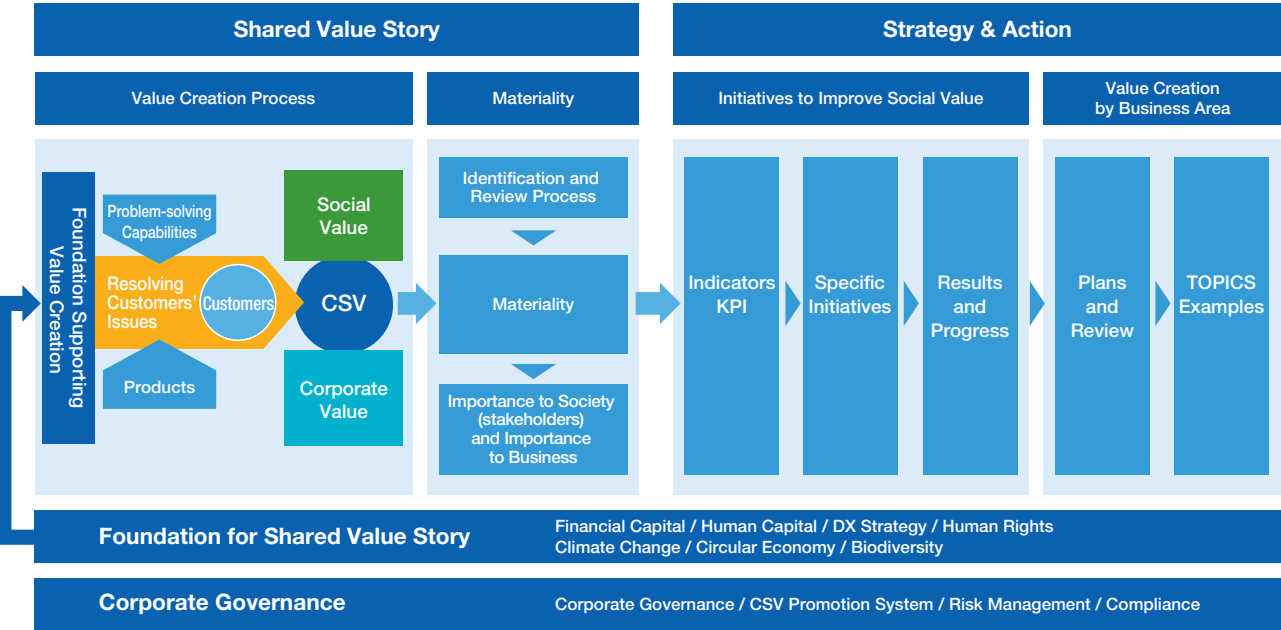
Date of Issuance
September 2024

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 .

Outline of this Report

This report has been structured as follows to help you better understand the Fuyo Lease Group's value creation.



Fuyo Lease Group's Mission, Vision and Values

The Fuyo Lease Group has established its Mission, Vision and Values as a systematic expression of our responsibilities, raison d'être, ideals and guiding principles.

- The Mission sets out the Fuyo Lease Group's responsibilities and raison d'être.
- The Vision sets out the ideal we wish to achieve in the medium to long term from the perspectives of society, customers and employees, each of which are particularly important stakeholders in advancing the business.
- Values set out action guidelines for each Group company to achieve the Vision, based on each company's business characteristics and other factors.
- Among the Values, "Go Where No One Has Gone Before" serves as a common action guideline for the Group, and a slogan shared among all executives and employees.

Mission Our responsibilities and raison d'être

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

Vision What we want to become

- ▶ 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 create value
- ▶ The group that grows with employees by supporting the challenges and growth of each employee

Value Guiding principles

Corporate Slogan

"Go Where No One Has Gone Before."

Code of Corporate Conduct

In working to achieve our Mission, Vision and Values, we have set out six action guidelines to serve as assumptions and a base for our corporate activities, and have established the Fuyo Group Code of Corporate Conduct to encompass all of these guidelines.

Fuyo Lease Group Code of Corporate Conduct

- Fuyo Lease Group Basic Compliance Policy
- Basic Policy for Establishing the Internal Control System
- Basic Policy on Systems to Support Sustainable Value Creation
- Corporate Governance Guidelines
- Fuyo Lease Group Human Rights Policy
- Fuyo Lease Group Environmental Policy

Creating Shared Value Fuyo Lease Group's CSV Management

The Group has positioned Creating Shared Value (CSV) as fundamental to management for achieving sustained corporate growth by resolving social issues, and promotes CSV management as a medium- to long-term growth strategy. By advancing CSV management, we are also addressing the various issues of sustainability.

The Fuyo Lease Group's CSV Management

Growing sustainably through business while also achieving social value and corporate value
Becoming a provider of good solutions to social issues as part of a system that aims for a better society

Creation of shared value through business (CSV)

Achieving corporate value = corporate profits

Achieving social value = solving issues

Building human resource, organizational, governance and other systems needed to sustainably generate value

Organizational and Structural Support for Sustainable Value Creation

Realizing sustainable growth through CSV management requires systems 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.

Improving Effectiveness and the Results of Those Efforts

To increase the effectiveness of CSV management, the Group has established non-financial targets for important issues to be addressed and works to ensure they are put into practice. The Group received the Minister of the Environment Award (Silver Prize) in the Fundraisers Category at the 5th ESG Finance Awards Japan in recognition of its efforts to reflect its overall non-financial targets in its sustainable finance framework and to proactively engage in fundraising.

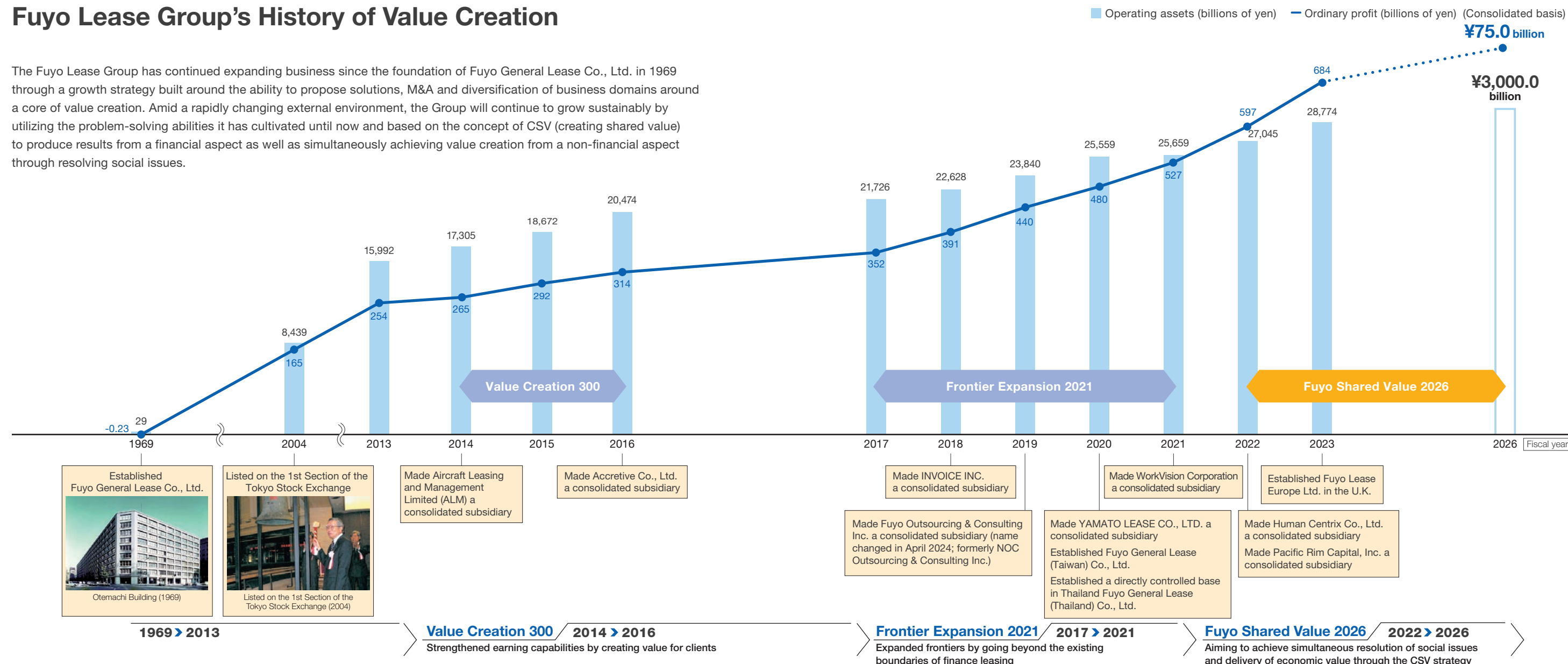


Reason for receiving the Minister of the Environment Award (Silver Prize) at the 5th ESG Finance Awards Japan

The Group has clarified its CSV management policy, and its top management personally takes the lead in moves to create even value from sustainability, leading to an expansion of its customer base and new sales opportunities. The Group is also expanding its collaboration with other financial institutions, leading to movement across the industry as a whole.

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		- 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	- 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	- 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	- 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 - Opened the Fuyo Shared Value Creation Center, a dedicated training facility
Promotion of Sustainability	Environment	- Started operation on the first deal in the ESCO business (2006) - Started operation on the first solar power generation project (2013)	- 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)	- 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)	- Set contribution to CO₂ emissions reduction as KPI (2022) - Launched Fuyo Circular Economy Lease initiative (2023) - Established a subsidiary in the U.K. to expand the renewable power generation business overseas (2023) - Achieved 700 MW of power generation capacity through renewable energies (2023)
	Society and people	- 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)	Started handling building leases for elderly care homes (2016)	Promoted initiatives to make BPO companies Group companies, growing the BPO business (2018 onward)	- Made Human Centrix Co., Ltd., a video production company, a Group subsidiary (2022) - Started region-specific healthcare fund initiatives (2023) - Participating in the Kobe Arena Project, the start of urban development efforts (2024)

Top Message

We aim to gain the trust of society, our shareholders, customers and our employees, and create value through CSV management

President and Chief Executive Officer
Hiroaki Oda



Looking Back at my Second Year as President and Aspirations for my Third Year

We have achieved steady results on the financial side in fiscal 2023, but looking more closely, those results were strongly supported by the Real Estate Division, which performed well. While the non-financial side was generally good, I feel that there are still several areas that need to be addressed. In fiscal 2024, the halfway point in our current Medium-Term Management Plan, we will need to reaffirm and clarify those issues, and put measures in place that will ensure they are resolved.

Looking back over the past two years, I think I can sum them up as: I have been working frantically. On my first day as president, I communicated internally that I want the Fuyo Lease Group to become a corporate group that is trusted. The collective trust of our customers in our individual employees becomes, in turn, their trust in the company, and I am the person who stands at the head of that company. Constantly aware of my position as leader, I continued to send out messages about what specifically we should be doing to bring the Group as a whole closer to achieving its mission. I have spent these two years doing everything I possibly can to increase the number of

people who share in and will move on this approach.

Traveling around our sites, and talking with employees in Japan and overseas, I began to hear stories like, “I took on the challenge of offering a proposal that would lead to a solution for a social issue, and I was thrilled when the customer decided to adopt it.” That employee was able to seize on signs of environmental change and offer a proposal that took advantage of their own learning, earning them a successful experience. I feel that one component of our Vision, to support the challenges and growth of each employee, is gradually becoming a reality. This is something I would like to spread even further.

Moving toward Realizing the Vision for 2030, Further Differentiating Our Competitive Strategy

Under our Medium-Term Management Plan, the Group is working to achieve sustainable growth by investing management resources based an approach known as “zone management,” which divides business domains into four

quadrants to select and concentrate on strategic fields. We have reflected the Group’s unique and distinctive competitive strategy in each of our business units.

The Transformation Zone is positioned as a growth driver, and is given priority in the investment of management resources. One area in which we are making steady progress is the Energy & Environment field. We are steadily building up a track record of investments, primarily in Europe, that capture the trend toward expanding renewable energy, and will focus even more on this area heading into 2030. A key feature of this effort is that we have established a business model that we promote through joint ventures by building relationships with three major partner companies in Europe where we will receive the right to be chosen as partner company first. The U.K. subsidiary we recently established will pursue further new partnerships. In Japan, we will also promote efforts to address the areas of supply and demand adjustment and energy management, such as working on a large-scale grid storage battery business, that will contribute to the stabilization of the power grid.

The BPO/ICT field, which we have established as a separate business area, is a distinctive business unit not found in other leasing companies. This area has an affinity with the leasing business and is growing in line with customer needs. We will work to expand the business both by improving service quality through the use of DX, and by improving productivity by strengthening our business processing systems, thus further accelerating growth.

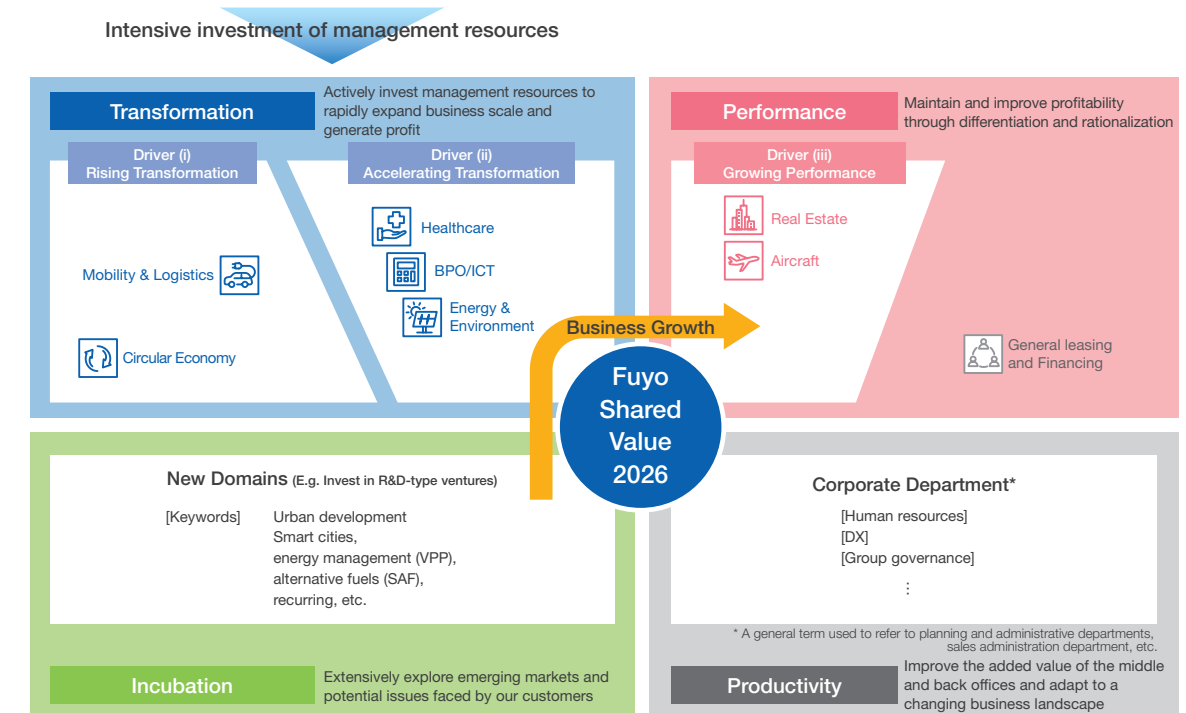
The Healthcare field saw a decline in financing needs, in part due to publicly funded support for medical institutions and similar entities arising from the COVID-19 pandemic. However, demand for funding has finally begun recovering, and we have seen an increase in BPO discussions involving medical and nursing care work. We expect this sector to grow going forward.

In the Rising Transformation Zone, overseas business in the Mobility & Logistics field is progressing well and is steadily growing. In the vehicles area, EV penetration remains gradual, but since we have already put in place a system for one-stop EV services, we will respond capably to growth going forward. We will also dig deeper into logistics-related businesses, including warehouses, frozen and cold storage facilities, material handling equipment, forklifts and other related areas. These efforts will not be restricted to Japan, as we are working to expand the business on the West Coast of the United States and in Thailand.

In the Circular Economy field, we have launched the Fuyo Circular Economy Lease, and are promoting a system that ensures the reuse and recycling of products that are returned to the Hachioji Technical Center (for PCs) and the Fuyo Reuse Center (for forklifts and other items). We believe that our mission as a leasing business is to further develop a variety of leased assets, from solar panels to real estate, into a business from the perspective of a circular economy.

Our business was founded as a lease and finance company, and the creation of new business domains has been achieved through alliances with companies that have the expertise and

Overview of Zone Management



experience our Group lacks. BPO is one such example, and going forward we will continue actively working to create new value. Recently, for example, we participated in the Kobe Arena Project, with a focus on new urban development utilizing sports and entertainment. Urban development is an aggregation of solutions to a variety of social issues, and is an area in which we can put our unique approach to CSV into practice. Leveraging our financing strengths and our ability to connect people, we will take on the challenge of creating new areas of business.

CSV Management at the Fuyo Lease Group
Focusing on Resolving Social Issues

My idea of CSV management is the practice of resolving social issues. Today, there are always social issues that lie beyond the needs of our customers. In a time when all companies must approach the resolution of social issues from the perspective of ESG and the SDGs, we can contribute to resolving those issues that lie ahead by gaining our customers’ trust, understanding their needs and providing the appropriate solutions. This is why I am not particularly aware of CSV as a separate practice.

In the Group’s various decision-making processes, we have increasingly incorporated the criterion of whether a particular decision will contribute to resolving social issues. Our employees, too, have become highly aware of this perspective in their efforts to address customer needs. As we move forward with this approach, our goal is to ensure that the very way we do business will itself be tied to resolving social issues.

The Foundation Supporting Value Creation

Human Capital

● Developing human resources to address the increasingly diverse and sophisticated business domains

Human resource development expense per person (versus fiscal 2021) 300%

● Creating an environment and opportunities to maximize use of acquired abilities

Creation of a rewarding workplace environment

Challenges and Responses in Forming a Foundation for Value Creation

Specific Initiatives Regarding Human Capital

To achieve the Fuyo Lease Group’s Vision for 2030, I believe it is essential that we strengthen human capital and DX as a foundation supporting value creation. With the understanding that people are our most important asset, we have set out a target to increase human resource development expenses to 300% of their original amount over the five-year term of the Medium-Term Management Plan, which we believe will dramatically increase employee opportunities for self-improvement and the quality of their knowledge and expertise. The most important thing, however, is to create a workplace environment in which employees feel free to make full use of what they have learned in their actual work.

One thing I am determined to do in my dialogue with our employees is to listen carefully. If we can listen seriously and without interruption to what a variety of people have to say—regardless of race, gender, disability or age—and can find ourselves in agreement with them, that is what will lead to the inclusion of diversity.

If there is a project I am not familiar with, the other person will likely know more about it than I do, and so I listen carefully. Once I grasped the heart of the matter and gotten it straight in my own head, from that point my role is to serve as a wall for the other person to bounce ideas off of. I might respond with ideas for alternative approaches, deepening the dialogue and in turn making it possible to have a discussion that both parties can relate to and agree with. Through this process, our employees grow.



We are now working to create a climate in which this kind of back-and-forth between supervisors and their subordinates can take place. This will improve the quality of their work and lead to the creation of significant value, which in the end will result in employee satisfaction and a sense that their jobs are rewarding.

Specific Initiatives Regarding DX

The DX initiatives we are promoting fall into two categories: “In-house DX” and “DX for customers.” For in-house DX, we are advancing efforts to streamline our operations. As for DX for customers, one approach involves packaged solutions offered by BPO companies to customers dealing with those same concerns. Another approach is to support the customers’ DX shift through subscriptions and recurring services, leveraging the unique features of a lease and finance company. Since these projects always involve data processing and billing processes, the ability to offer packaged solutions that include BPO services such as payments, collections and billing is a strength unique to the Fuyo Lease Group. I believe that this system, which cannot be imitated by others, represents the foundation of Fuyo Lease Group’s value creation.

To our Stakeholders

Our mission is to contribute to realizing a prosperous society and sustainable growth. This “sustainable growth” refers to both society and the Group itself. To achieve sustainable growth, the Company must consistently generate steady profits. By returning those profits as dividends, we can earn the trust of our shareholders. By contributing to the realization of a prosperous society, we can also earn the trust of the general public. By achieving the non-financial targets that serve as indicators of this realization, we can gain the trust of our customers and our employees. I believe that earning the trust of these three groups, valuing our aspiration to create shared value with our various stakeholders, and striving to fulfill our mission is what will enable us to answer to the expectations of all of our stakeholders. We ask for your continued understanding and support going forward, and hope you will look forward to what lies ahead for the Fuyo Lease Group.



Fuyo Lease Group At a Glance (As of the end of March 2024)

The Fuyo Lease Group aims to simultaneously realize social and corporate value by building new businesses in response to changing social issues and by helping customers resolve their issues. The Group not only offers traditional leases, but is actively taking on the challenge of new business in an effort to expand its fields of business.

General Leasing and Financing

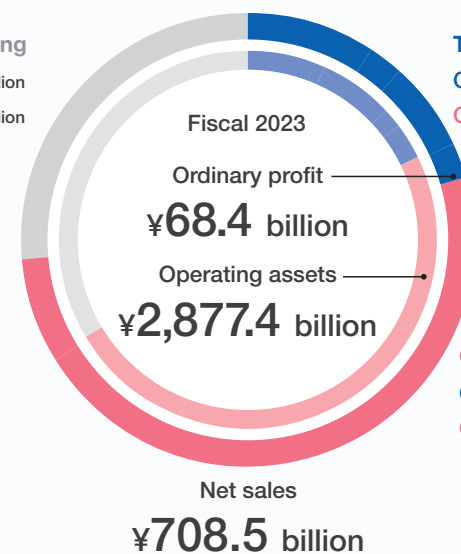
Ordinary profit ¥ 18.0 billion
Operating assets ¥961.1 billion

Transformation

Ordinary profit ¥ 14.1 billion
Operating assets ¥514.5 billion

Growing Performance

Ordinary profit ¥ 36.2 billion
Operating assets ¥1,401.8 billion



Transformation (Rising & Accelerating)



Energy & Environment

▶ P.21-22

- Operating asset balance up approximately 1.5 times (vs. end of March 2023) through expansion of the renewable energy business
- Profits declined due to higher interest rates on foreign currency and costs associated with expansion of business domains



Circular Economy

▶ P.23-24

- Entered business alliances with seven leasing companies with locations throughout Japan
- Received the Selection Committee Chairman Award (Circular Economy Award) at the ESG Finance Awards Japan sponsored by the Ministry of the Environment



BPO/ICT

▶ P.25-26

- Harnessed demand related to the Invoice System and Electronic Books Maintenance Act to secure an increase in ordinary profit
- Captured PC replacement demand in anticipation of the end of support for Windows 10 coming in 2025. Increased orders for PC rentals, etc. by offering proposals tailored to customer needs



Mobility & Logistics

▶ P.27-28

- Ordinary profit grew mainly due to strong performance of the overseas business.
- The non-financial goals for the percentage of EVs and FCVs held by the company remain almost flat, partly because the EV penetration rate in Japan is still at a moderate level.



Healthcare

▶ P.29-30

- Ordinary profit was flat due to lack of progress in building operating assets
- Also affected by declining finance needs at medical institutions that received public support during the COVID-19 pandemic

Growing Performance



Real Estate

▶ P.31

- In addition to an increase in base profit, gains recorded on large sales also contributed to significant growth and improvement in ordinary profit and ROA
- In building operating assets, executed asset controls based on profitability and the composition of the business portfolio



Aircraft

▶ P.32

- In fiscal 2023, the accumulation of aircraft progressed, with the company procuring nine aircraft primarily leased to North American airlines
- Passenger demand recovered to pre-COVID levels, with progress in normalization of lease fee collections from airlines
- Ordinary profit showed steady growth despite recording impairment losses, etc.

High profitability

ROE
11.8%

ROA
2.45%

Sound financial base

Equity ratio
12.7%

Japan Credit Rating Agency, Ltd. (JCR)
Long-term issuer rating
AA-

Rating and Investment Information, Inc. (R&I)
Issuer rating
A+

Active Promotion of CSV

Contribution to CO₂ volume reduction
330,000 t-CO₂/year

Renewable energy power generation capacity^{*1}
705MW

Percentage of returned items that are reused or recycled^{*2}
100%

Work hours saved by our customers
(compared to fiscal 2021)
490,000 hours

^{*1} 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).
^{*2} Applies to leased (rental) assets returned to the Hachioji Technical Center of FGL Circular Network Co., Ltd.

ESG finance funds raised
(actual for fiscal 2023)
¥186.3 billion

CDP Climate Change Report
A-list company



Human resources generating value
Winner, Minister of the Environment Award



Winner, Circular Economy Award



Human resources generating value

Human resources
3,503

Human resources development-related expenses
(compared to fiscal 2021)
249%

Percentage of improvement in engagement indicators (consolidated)
3.47

Group Network

Number of group companies

Domestic consolidated subsidiaries	Overseas consolidated subsidiaries	Equity-method companies
43	23	16

Value Creation Process

Mission Our responsibilities and raison d'être

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

Vision what we want to become

- ▶ 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 create value
- ▶ The group that grows with employees by supporting the challenges and growth of each employee

Our 2030 Vision



Materiality

We have identified key issues in the fields of “environment” and “society and people,” which are keystones of the value creation process through CSV management, as well as important items related to “organizational and structural support for sustainable value creation” and “partnerships,” as material matters.

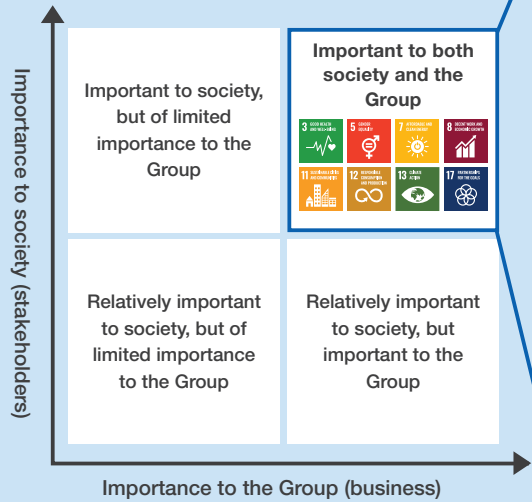
Non-financial KPI and targets for fiscal 2026, the final year of the medium-term management plan, have been set for each material matters, and we are moving forward to achieve these targets while monitoring their progress.

Materiality Definition Process



Fuyo Lease Group's Materiality

We have identified areas important to both society (our stakeholders) and the Group as material matters.



Materiality		Why Important to Society (stakeholders)		Why Important to the Group
Environment	Contribution to the realization of a decarbonized society		Climate change is becoming more serious, and mitigating and adapting to it is an urgent issue	Can leverage expertise developed in the renewable energy power generation business and through decarbonization solutions
	Contribution to the realization of a circular society		Because resources are limited, those limited resources need to be used effectively	Extending the product life of a large volume of lease assets and attempting to improve resource recovery rate is an issue for the Company, and turning it into a business will lead to enhanced corporate value
Society and people	Provide solutions that resolve customers' management issues to deliver reassurance through ensured health and welfare		In anticipation of a super-aging society, it is necessary to put in place an environment in which people can be assured of receiving health and welfare services	By providing lease and finance functions and BPO functions, we can resolve business operators' problems and help them create an environment for providing health and welfare services
	Provide services that deliver new value creation time		Need to resolve issues involving labor shortages, work style reforms and labor productivity improvements, and create even greater value	By providing business process services (BPS) that integrate BPO and DX, we can reduce customer workloads and make time for them to create new value
Organizational and structural support for sustainable value creation	Strategic human resources development		As each employee grows and creates value, this leads to rich self-fulfillment and an improvement in abilities	To create new value, we need to develop human resources with a high level of expertise in a variety of fields
	Diversity and inclusion		All employees, regardless of age, gender, nationality, etc. can work and play an active role without hesitation or reservations	Innovation that comes from bringing together different strengths, viewpoints and values will generate new value, becoming the driver for sustainable corporate growth
	Health and productivity management, work-life balance		A healthy mind and body are necessary for playing an active role in society	Enabling employees to work safely and in good health vitalizes the organization, improves productivity and leads to significant value creation
Value creation through partnerships	Value creation through partnerships		Through partnerships, the individual parties can provide and receive value greater than they have separately	Through partnerships, the Company can both provide and receive value greater than we have on our own

Initiatives to Improve Social Value

The Group has established material matters (materiality) to create social value through business under Fuyo Shared Value 2026, the Medium-Term Management Plan. A description of and progress with materiality is as follows.

Materiality		Vision for 2030		Specific Initiatives		Relevant page	Non-Financial KPI		FY 2023 Results	FY 2026 Targets	Business unit responsible	SDGs being contributed to
Environment	Contribution to the realization of a decarbonized society	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 A company that solves decarbonization and other social issues through social application of various technological innovations in the general vehicles area	The amount of CO₂ estimated to have been reduced through the promotion of the below initiatives A, B and C among others, and by replacing facilities and equipment with lower-emission alternatives, is calculated as an indicator		CO ₂ reduction contributions		330,000 t-CO ₂ /year ^{*1}	500,000 t-CO ₂ /year	Company-wide (Primarily Energy & Environment, Mobility & Logistics)	7 7		

^{*1} The Company has evaluated the accuracy of its calculations of its contribution to CO₂ reduction and its renewable energy generation capacity, and as a result has determined that these have been calculated accurately based on our calculation criteria (*). To assist in this determination, we have asked a third party (Ernst & Young ShinNihon LLC) to conduct agreed-upon procedures (the "procedures") in accordance with the Professional Guidelines 4440 "Practical Guidelines on the Agreed-upon Procedures" of the Japanese Institute of Certified Public Accountants. Said procedures involve the third party to conduct the procedures agreed upon with the Company and to report the results to us, and do not constitute audits, reviews or other such assurance services.

^{*2} 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.

^{*3} Covers the Fuyo 100% Renewable Electricity Declaration Support Program, the Fuyo Zero Carbon City Support Program and the Fuyo Circular Economy Lease.

^{*4} Applies to leased (rental) assets returned to the Hachioji Technical Center of FGL Circular Network Co., Ltd.

(*) Calculation criteria can be found on the Company's website.



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

^{*6} Human resource development-related expenses include training-related expenses (cost of conducting training, costs related to outside courses, etc.) and cost of incentives for self-development (costs related to the cafeteria plan and subsidies for obtaining certifications, etc.) They also include an estimate of expenses attributable to the fiscal year under review out of all expenses related to the training center located in Toyosu, newly established during the fiscal year under review (including lease rent, depreciation expenses for furniture and fixtures, construction and installation costs associated with the new establishment, etc.). Human resource development-related costs are divided by the average number of employees during the period under review (covering core employees, career-track employees, operations employees, temporary employees and contract employees who are eligible to receive cafeteria plan self-development points) to calculate the per-person human resource development-related cost.

^{*7} 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).

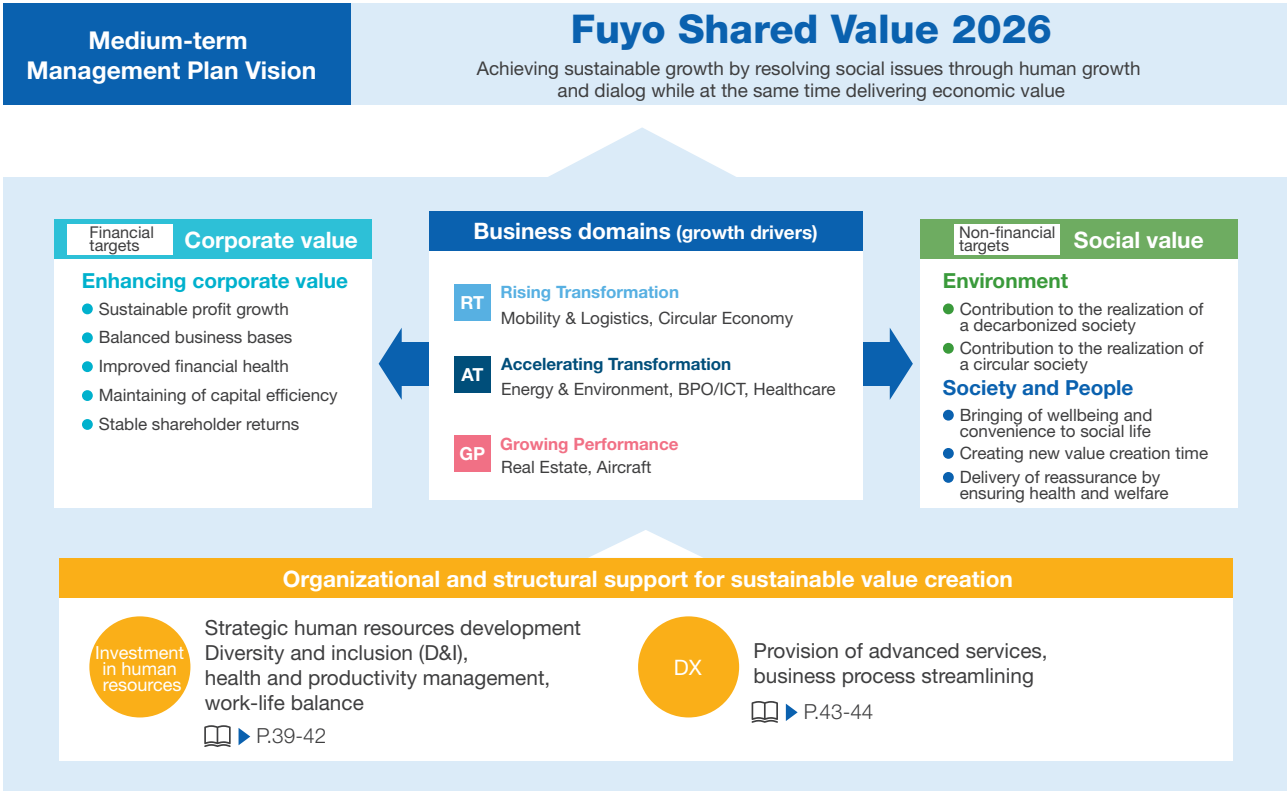
^{*8} This is a measure of the average response value to eight items on an employee awareness survey, including job satisfaction, providing value to society, growth and others. Survey results cover 14 companies in Japan out of the Group's main companies.

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 FY2023

In fiscal 2023 we achieved sustained profit growth on the back of higher revenues, centered on the business domains positioned as growth drivers. Ordinary profit was ¥68.4 billion (up ¥8.7 billion year on year), which was a record high for the seventh consecutive year, and ROA was 2.45% (improvement of 0.18 of a percentage point year on year). ROE and the shareholders' equity ratio also increased, showing an improvement in both capital efficiency and financial health. In terms of non-financial aspects, we actively worked to develop human resources, including opening the Fuyo Shared Value Creation Center, a dedicated training facility providing a

learning-focused environment. We also implemented more CSV initiatives, such as steadily adding renewable energy power generation capacity to help realize a decarbonized society. Evaluations of the Company by third parties also steadily improved. Japan Credit Rating Agency, Ltd. (JCR) upgraded the Company's long-term issuer rating to AA-, mainly reflecting steady progress with the Medium-Term Management Plan, and the Company was selected as an A-list company, the highest rating, by international non-profit CDP in its climate change report, recognizing our commitment to sustainability.

Progress toward Achievement of Financial and Non-Financial Targets

Financial Targets			Non-financial targets (excerpts)			
Item	FY2023 Result	FY2026 Target	Materiality	Item	FY2023 Result	FY2026 Target
Ordinary profit	¥68.4 billion	¥75.0 billion	Contribution to the realization of a decarbonized society	Contribution to CO ₂ volume reduction	330,000 t-CO ₂ /year	500,000 t-CO ₂ /year
ROA Ratio of ordinary profit to operating assets	2.45%	2.5%	Contribution to the realization of a circular society	Percentage of returned items that are reused or recycled	100%	100%
Shareholders' equity ratio	12.7%	13~15%	Creating new value creation time	Work hours saved by our customers	490,000 hours (compared to FY2021)	1 million hours (compared to FY2021)
ROE	11.8%	10% or more	Strategic human resources development	Human resources development-related expenses (non-consolidated)	249% (compared to FY2021)	300% (compared to FY2021)

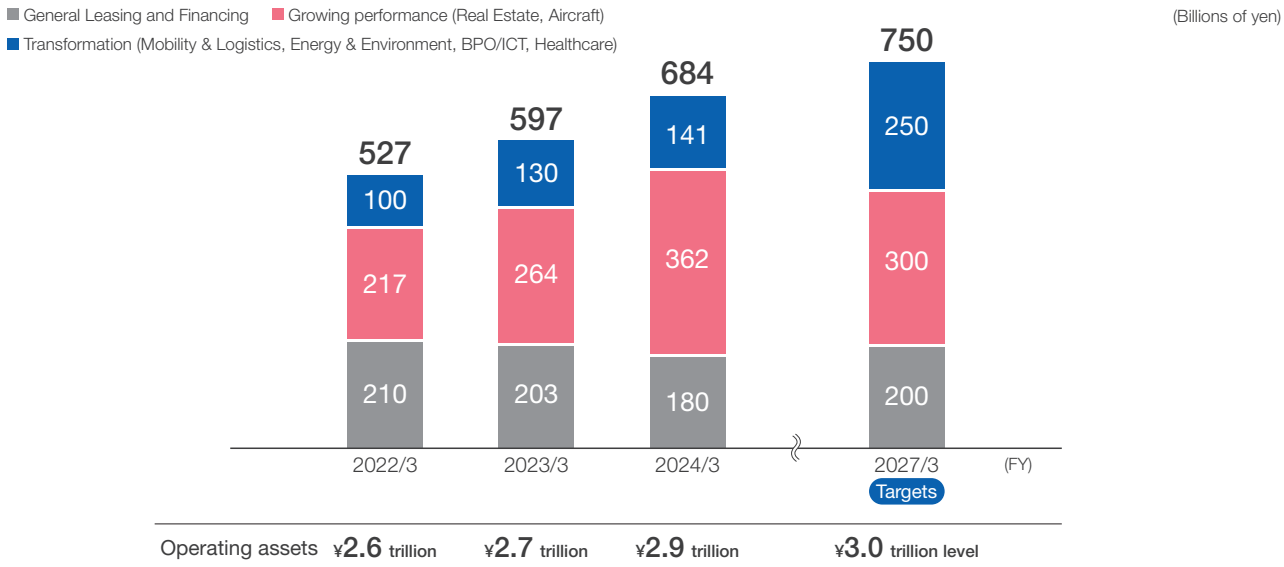
* For progress on all initiatives for non-financial targets, please refer to "Initiatives to Improve Social Value (Materiality)" on P.17-18

Business Portfolio Strategy

Under the current Medium-Term Management Plan, we are implementing a business portfolio strategy based on the concept of zone management (see page 33 for more details). This concept aims to create "multiple peaks" (multiple growth engines) profit structure with a good balance of businesses generating sizeable profits in various business domains. Our goal is to deliver sustainable growth through business diversification by flexibly allocating management resources to business domains with prospects for market growth and new market creation in response to changes in society. In fiscal 2023, expansion in business domains positioned as growth drivers led to sustained profit growth. We continue to steadily implement business strategies in the Medium-Term Management Plan. We are gradually lifting profit

levels by channeling management resources into transformation zones (RT/AT), while profit growth and asset accumulation in GP business domains are also outpacing our expectations, supported by firm business conditions and other factors. We will step up the pace of profit growth in transformation zones (RT/AT) through aggressive business expansion, and we will continue to operate GP businesses with an awareness of the need to maintain a balanced business portfolio, aiming to realize the Group's goal of "multiple peaks" profit structure. Also, in the incubation zone, we will continue our wide-ranging search for new and emerging markets and for potential issues that our customers are likely to face in order to create new business domains that support the Group's future growth.

Changes in ordinary profit by business area



Energy & Environment

AT

Accelerating Transformation
Accelerated growth enabled by capturing market trends

Main Services

- Investment and finance in energy businesses

■ Green electricity supply (PPA) services
- Energy-saving equipment / subsidy leases

■ ESCO business

■ Storage battery business

Managing Executive Officer
Miki Sasaki

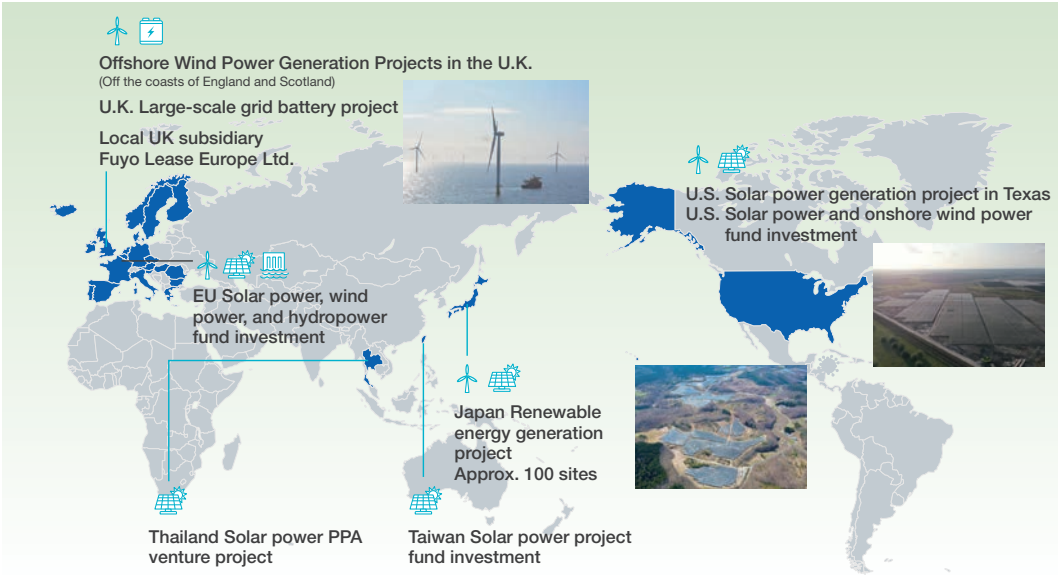
TOPICS

1

Promoting Uptake of Renewable Energy Through Business Expansion with Global Players

The Fuyo Lease Group has participated in domestic solar power generation projects since 2013. Our first move overseas was a solar power generation project in the US, followed by offshore wind power and grid storage battery projects in Europe. To further expand the business, we set up a new subsidiary in London, UK, a key information hub for the renewable energy

sector. The new company, which started operations in April 2024, will facilitate collaboration between local and Japanese companies in the renewable energy business in Europe, where there are many investment opportunities, and enhance information gathering in upstream areas.



2

Grid Storage Battery Project for Accelerated Adoption of Renewable Energy and Utility Grid Stabilization

Fuyo Lease Group participated early in the grid storage battery project, a new business model essential for stabilizing electricity supply and demand and making renewable energy the main source of power. DAX LLC, a joint venture with Daiwa Energy & Infrastructure Co. Ltd. and ASTMAX Co., Ltd., will install a grid storage battery (lithium-ion battery with certified output of 50,000kW and certified capacity 100,000kWh) will be installed on a site in Sapporo, Hokkaido and is scheduled to begin operation in fiscal 2025. After operations start, DAX will trade in the wholesale electricity market, the supply-demand adjustment market and the capacity market using AI-based market forecasting and other tools. Our goal is to develop diverse businesses and generate stable profits in the electricity market.



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 set to emerge and grow as a result of structural transformation in the energy industry, such as the grid storage battery business

Vision for 2030

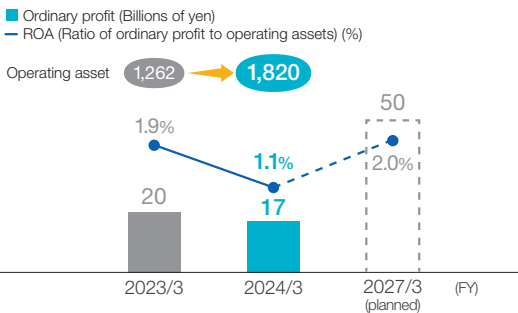
- Serve as a global company that helps give rise to a decarbonized society by engaging in a broad range of energy-related businesses on a large scale in Japan and overseas

■ Serve as a frontrunner that contributes to resolving climate change and other environmental issues in breaking ground in the new Energy & Environment business domain

FY2023 in Review

Working with alliance partners, we expanded our renewable energy business, particularly in Europe. Ordinary profit declined due to higher interest rates on foreign currencies and upfront costs associated with business domain expansion. However, operating assets were roughly 1.5 times higher than at the end of fiscal 2022. Expansion in renewable energy power generation capacity also progressed in line with plans. To strengthen the overseas energy business, we established a local subsidiary in the UK in October 2023. Also, to further expand the business domain into new areas (secondary energy sources, etc.) we joined a large-scale grid storage battery project for the first time through a joint venture with Daiwa Energy & Infrastructure Co. Ltd. and ASTMAX Co., Ltd.

Financial targets



Non-financial targets

	2023/3	2024/3	March 2027 targets
Renewable energy power generation capacity* (MW)	515 (657)	705 (995)	1,000

Figures in brackets for renewable energy power generation capacity include projects under development
* 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)

Issues Ahead and Response Measures

Issues Ahead	Response Measures
Strengthen our operating base to promote global business expansion	Strengthen collaboration with overseas sites, mainly the local UK subsidiary, 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

Main Services

- Fuyo Circular Economy Lease (Fuyo CE Lease)
- Waste recycling services
- Used asset buying service

Managing Executive Officer
Miki Sasaki

Strong Point

- 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 the Ellen MacArthur Foundation and industry groups

Plans under Fuyo Shared Value 2026

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



- Serve as a Circular Economy infrastructure company that transcends the leasing business Become a Circular Economy Platformer
- Contribute to the realization of resource recycling in Japan through our circular economy projects
Fuyo CE Lease will help to recycle a certain volume of resources in Japan
Generate economic benefits by promoting resource recycling

FY2023 in Review

The Fuyo Lease Group launched Fuyo Circular Economy Lease (Fuyo CE Lease) in 2023 as a lease product to manage lease assets, extend product life after use and improve resource recycling. Since launch, the number of Fuyo CE Lease contracts has risen steadily. Also, to promote the adoption of circular economy practices nationwide, we concluded business agreements with seven leasing companies that have regional networks. Fuyo CE Lease enables customers to get involved in establishing a circular economy, and we donate a certain percentage of proceeds from the lease transactions to organizations that promote the circular economy, thereby supporting their activities and contributing to the spread of the circular economy.

Non-financial targets

	2023/3	2024/3	March 2027 targets
Percentage of returned items that are reused or recycled* (Including thermal recycling)	100%	▶ 100%	100%
Percentage of materials/chemicals contained in waste plastics (from returned items) that are recycled*	24.7%	▶ 45.3%	100%

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

Issues Ahead and Response Measures

Issues Ahead	Response Measures
Expand the coverage of Fuyo CE Lease	Increase the scope of assets such as equipment and devices for which resource circulation is assured
Diversify recycling processes to achieve a 100% waste plastic recycling rate (excluding thermal recycling)	Develop links with recycling companies compatible with asset characteristics
Expand the type and volume of assets handled by the Fuyo Reuse Center	Expand network of business partners and develop new buyers

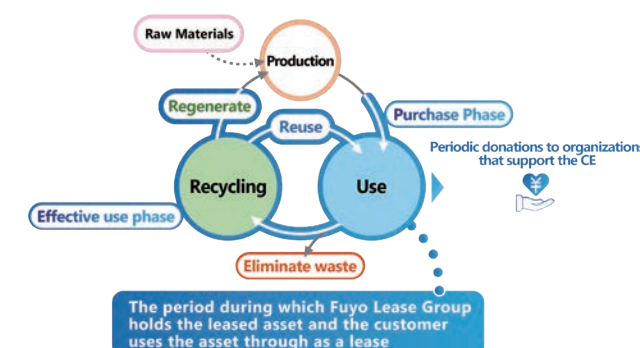
TOPICS

1 Awarded the Circular Economy Award at the 5th ESG Finance Award Japan

At the 5th ESG Finance Awards Japan, Fuyo Lease Group received the Circular Economy Award for outstanding efforts in the circular economy, a key area of focus for Japan's Ministry of the Environment. The award recognized the Group's initiatives to promote the circular economy from the standpoint of the leasing industry,

including our efforts to achieve a 100% recycling rate for materials/chemicals contained in waste plastics (by fiscal 2026), one of our non-financial targets, and the launch of Fuyo CE Lease to ensure resource recycling, extend product life, and improve resource recycling.

Conceptual Diagram of Fuyo CE Lease



Right: Tetsuo Kitagawa, Chairperson of the Selection Committee
Left: Hiroaki Oda, President and Representative Director, Fuyo General Lease

2 Extending Product Life and Enhancing Product Value With Fuyo Reuse Center – Our New Reuse and Resale Base

Three Group companies (Fuyo Auto Lease Co., Ltd., FUJITA Co., Ltd. and FGL Circular Network Co., Ltd.) jointly opened the Fuyo Reuse Center.

The aim of the center is to strengthen the Group's reuse and resale functions by creating a single collection point for leased assets returned to Fuyo Lease Group companies and for used assets purchased from customers.

Previously, recovered assets were mainly resold in their current condition, but by equipping the center with a maintenance yard, we aim to extend product life and enhance product value to help realize a circular economy.





BPO/ICT

AT

Accelerating Transformation

Accelerated growth enabled by capturing market trends

- Main Services
- Business process consulting

■ Comprehensive BPO services

■ Integrated billing services (telecommunications and public utility bills)

■ Video production and distribution services

■ PC-LCM services

■ ICT outsourcing

Managing Executive Officer
Satoshi Suzuki

TOPICS

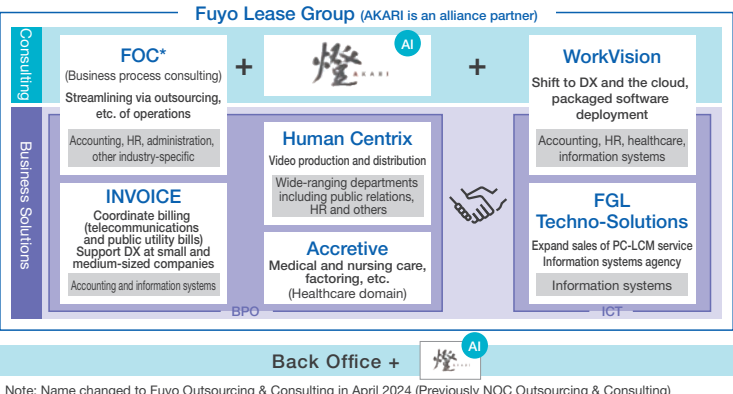
1 Promoting Business Process Services (BPS)

The Fuyo Lease Group is promoting total solutions for work processes using a combination of outsourcing and DX. In outsourcing (BPO services), we work with group companies including INVOICE INC. and Fuyo Outsourcing & Consulting Inc. on a consulting basis. We offer a wide range of services to meet the diverse needs of administrative, accounting, human resources and information systems departments. The DX division (ICT services) is responsible for solving corporate management issues including IT personnel shortages, business

model transformation and others. FGL Techno-Solutions Co., Ltd. supports information systems departments by contracting to build out PC environments. WorkVision Corporation offers management solutions centered around cloud packages. We work to standardize customer workflow and offer optimal solutions by combining these services to address issues that cannot be solved through systems or through outsourcing alone, thus helping customers to achieve business transformations on both the operational and system sides.

Joint development of consulting and products through BPO/ICT

Customer business transformations and streamlining, realizing DX



Offer accounting BPS as a new set of services

Build new business model

Business operations streamlining

Sample proposal for an accounting department
The WorkVision Standardization Support Service was first used to standardize workflow and rectify data, before systemization of accounting operations (SuperStream). Remaining tasks that cannot be automated due to business relationships, etc. can be streamlined using FOC Accounting BPO.

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' business transformations 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

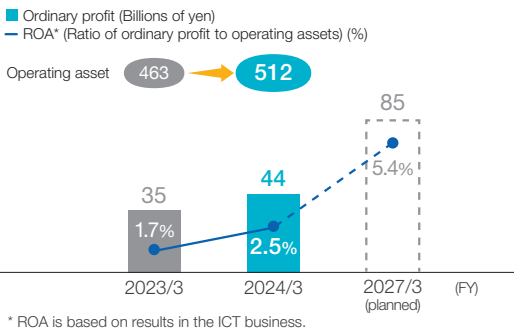
- Become a leading company that provides the Business Process Service (BPS), a total solution utilizing outsourcing and DX of processes

■ Serve as the most trusted company in solving the problem of shortages of IT professionals

FY2023 in Review

By strengthening cooperation between BPO and ICT, and by working to enhance customer service, we achieved our target for customer work hours saved through newly offered services. We will continue proof of concept testing regarding the use of AI to further improve services going forward. In the ICT field, we developed multifaceted customer proposals through our partnership with WorkVision Corporation. There is also special demand associated with introduction of the Invoice system and revisions to the Electronic Books Preservation Act and other laws, and we are steadily building a track record of projects in those areas. In addition, given the growing need for outsourcing associated with difficulties in securing personnel for the information system sector, we have also increased the number of devices handled through our services, including PC-LCM and mobile LCM (outsourcing of smartphone and other device operations), and we expect to see further growth going forward.

Financial targets



Non-financial targets

	2023/3	2024/3	March 2027 targets
Work hours saved by our customers*	180,000 hours (compared to FY2021)	490,000 hours (compared to FY2021)	1,000,000 hours (compared to FY2021)

* Creating new value creation time through BPO/ICT services

Issues Ahead and Response Measures

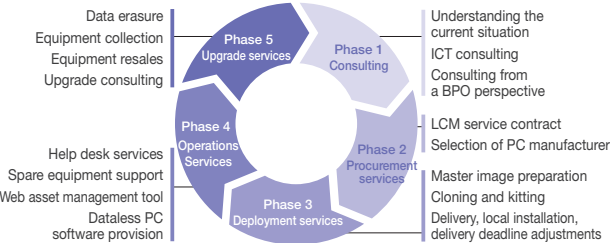
Issues Ahead	Response Measures
Develop services to address BPO needs that have emerged in the digitalization process	Propose new ways to streamline operations through the use of AI and data
Develop innovative services to respond to dramatic advances in AI technology	Develop and offer services with partners that contribute to work efficiency

2 With the end of Windows 10 support approaching, we are proposing customer business reforms that go beyond PC replacement, and reductions in environmental impact through PC reuse and recycling

With the deadline for ending support for Windows 10, the mainstream operating system for corporate PCs, coming in October 2025, demand for upgrades to Windows 11 is expected. This, in turn, is leading to an increase in customers not only replacing PCs, but looking to streamline and outsource overall tasks related to procurement, deployment, system operations and upgrades. In addition, with recent improvements in the functioning of and expanded applications for IT devices, the functions demanded of in-house help desks are increasing by the year, and it is becoming difficult to secure human resources with expertise in these areas. The Group offers its PC-LCM (Life Cycle Management) service, including help desk outsourcing, as a solution for reducing workloads, together with residual value-based PC rentals that lead to PC reuse and recycling. We will help free our customers'

information systems departments from cumbersome PC operation and management tasks and set up structures that allow them to focus on their core business, thus contributing to achieving business process reforms and a reduction in environmental impact.

PC-LCM Business Cycle



Mobility & Logistics

RT

Rising Transformation
Strategic growth enabled by capturing tectonic social changes

Main Services

Vehicles area

- Auto leases
- One-stop EV services
- Self-driving vehicle services
- EV bus subscription-based services

Logistics area

- Logistics and material handling equipment financing services
- Management support solutions for transportation companies

Managing Executive Officer
Mari Fujisaki

Strong Point

- 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
- 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

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 personnel shortages and workstyle reforms together with Group companies and partner companies in Japan and overseas in the logistics area

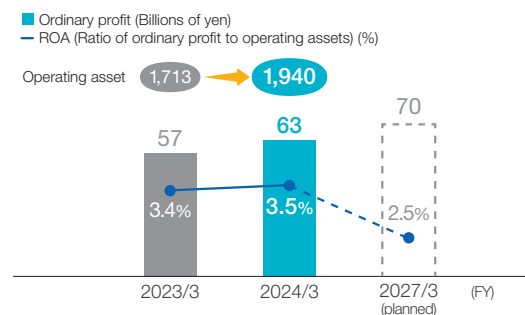
FY2023 in Review

In FY2023, ordinary profit grew to ¥6.3 billion on growth in gains on sales of used cars backed by a strong used car market overseas, as well as the conversion of an overseas Group company to a consolidated subsidiary. In the Mobility & Logistics domain, we are working to tie our existing business fields to new functions and expand our areas of business by building alliances with partner companies. In the general vehicles area, we worked to create more sophisticated one-stop services by building and strengthening a variety of EV-related alliances. In the logistics area, we renamed the Mobility domain the Mobility & Logistics domain to strengthen our emphasis on solving social issues associated with logistics. We also entered into a capital and business alliance with PAL Co., Ltd. which is working in DX on the logistics front lines. Among non-financial items, the percentage of EVs and FCVs held remained nearly flat, as the rate of adoption of EVs in Japan continues to be moderate.

Issues Ahead and Response Measures

Issues Ahead	Response Measures
Improve the percentage of EVs or FCVs (1.0% as of the end of FY2023)	Expand EV-related services in collaboration with partner companies
Develop and secure overseas personnel in conjunction with overseas business growth	Develop human resources through personnel exchanges with partner companies and overseas groups, and by expanding educational programs

Financial targets

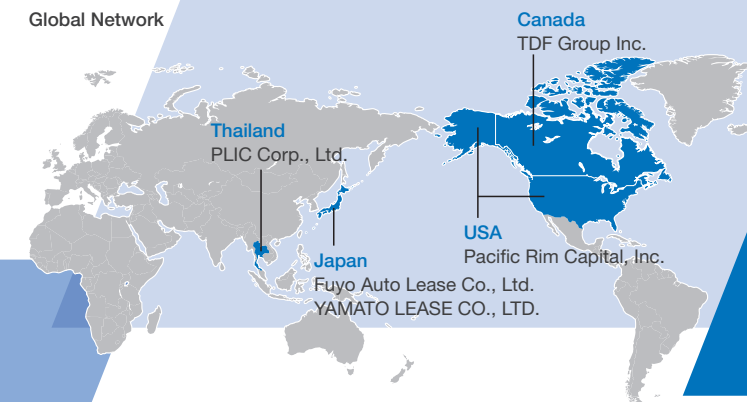


Non-financial targets

	2023/3	2024/3	March 2027 targets
Percentage of EVs or FCVs held	0.7%	1.0%	30%
Percentage held by Fuyo Auto Lease			

TOPICS

Global Network



1 Offering Decarbonization Solutions to Municipalities and Private Companies in Collaboration with the Kyuden EV Bus Service

We have launched the Kyuden EV Bus Service, a subscription-based service, through a collaboration with the Kyushu Electric Power Group and EV Motors Japan Co., Ltd. The EV buses being introduced can be used (through sharing) for multiple purposes, including as school buses, shuttle buses, and sightseeing buses. The vehicles' rechargeable battery functions can be used to set up local disaster preparedness centers and reduce electricity consumption at facilities during peak hours. This in turn will advance local decarbonization efforts and promote the shift to EVs among municipalities and private companies. The first commercial project has now started on Okinoerabu Island, Kagoshima Prefecture.



2 Expanding Services to Encourage Adoption of EVs for Commercial Use Through Collaboration with Partner Companies

Because the spread of EVs in the logistics industry is limited to low-priced EV vehicle models suited to use in long-distance transport, and because of a shortage of charging infrastructure, there is a lack of specialized knowledge of maintenance and other issues. To solve these issues, we are accelerating our collaboration with partner companies to expand our lineup of services designed to encourage the adoption of EVs for commercial use. We have entered into a capital and business alliance with Fofoly Inc., which is engaged in the development and sales of EVs for commercial use, and are working to develop vehicles and services that meet the needs of the logistics industry. In addition,

through a collaboration with EVolity Corporation, which offers fleet management services for commercial use EVs, we are building a cooperative structure that can provide one-stop support for everything from initial deployment to vehicle management.



3 Logistics Solutions Business Division Launched to Strengthen Ability to Solve Logistics Industry Issues

To strengthen our efforts to solve issues surrounding the logistics industry, including the 2024 problem and personnel shortages, we have renamed the Machinery Business Division to the Logistics Solution Business Division, reorganizing it with a specialized role in logistics. We also entered into a capital and business alliance with PAL Co., Ltd. which is working to promote DX on the front lines of logistics, and are advancing cooperation with partner companies to expand and build a structure for services by, among other things, creating diverse financing schemes to support the capital investments needed for automation and labor savings.





Healthcare

AT

Accelerating Transformation
Accelerated growth enabled by capturing market trends

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

Managing Executive Officer
Yutaka Iida



Strong Point

- Possesses an expansive service menu encompassing 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

- 1 Support the creation of 1,330 new rooms at elderly care homes over a 5-year period in collaboration with alliance partners, in anticipation of the super-aging of society
- 2 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
- 3 Provide a wide range of information and products useful to solving management issues faced by medical groups through group company service websites.

FY2023 in Review

With the gradual winding down of publicly funded support to address the COVID-19 pandemic, health care businesses (medical and nursing care providers and dispensing pharmacies) continued to face a challenging management environment. In response, we provided services that contribute to solving their issues, enabling us to maintain ordinary profit at the same level as in the previous fiscal year. We also started the first project of our region-specific healthcare fund initiatives that launched in 2023, contributing to building a stable foundation in the region. We also provided 210 rooms for new elderly care homes.

For the first time, the Fuyo Lease Group also exhibited at the International Modern Hospital Show 2023, sponsored by the Japan Hospital Association and the Nippon Omni-Management Association, offering proposals healthcare-related solutions to medical and nursing care providers.

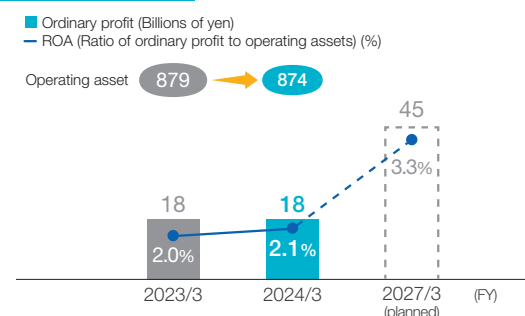
Issues Ahead and Response Measures

Issues Ahead	Response Measures
Funding support after the end of financial support policies to address COVID-19	Provide funding in response to the needs of healthcare providers
Address the permanent shortage of personnel among healthcare providers	Bolster personnel in BPO services and advance the shift to DX

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

Financial targets



Non-financial targets

	2023/3	2024/3	March 2027 targets
Number of new rooms provided at elderly care homes	553	763	1,330
Management support-related financing in medical and welfare markets* (billion)	217	229	560

*The balance of operating assets for financing related to FPS Medical and business succession.

TOPICS

1 Supporting Development of a Next-Generation Nursing Care Business Model Through Finance, Offering Reassurance with Expansion of Regional Elderly Care Homes

Fuyo General Lease worked with a regional bank to support the development of private nursing homes, providing financial support for the expansion of regional elderly care. This will work to address the severe shortage of personnel in the nursing care industry by achieving two things: (1) An improved quality of care through employment in a variety of professions, including physical and occupational therapists as well as care workers and nurses; and (2) Improved compensation for nursing care staff with additional incentive programs for the use of scheduled and as-needed home visit-based nursing care.



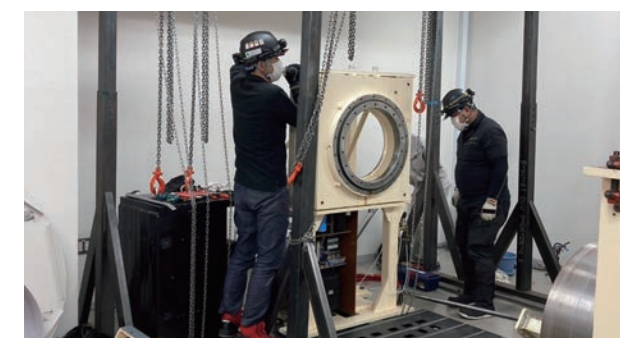
2 Use of Outsourcing Solves Issue of Securing Personnel in Conjunction with Business Growth

Accretive has launched full-scale BPO services, including insurance billing and other operations for home healthcare and nursing care providers. As demand for these care services increases with Japan's aging population, providers are facing a serious shortage of personnel. GRID Co., Ltd. which for many years has provided in-home and other nursing care services in Kyoto, was also dealing with the issue of securing personnel in conjunction with an expansion of its business. Using our services, it was able to reduce the burden involved with billing operations, enabling the company to focus on services for its users.



3 Dismantling and Removal of High Energy Radiation (LINAC) and Other Treatment Devices Makes Recycling Possible

FUJITA conducts dismantling and removal of linear accelerators (LINACs), extremely heavy equipment the handling of which requires a high degree of skill. LINACs are installed in radiation controlled areas of acute care facilities, thus in addition to the technical aspects of dismantling the equipment, FUJITA takes steps to ensure the safety of the working environment, including by measuring radiation exposure. The medical facility will dispose of parts of the dismantled device as radioactive waste, as appropriate. The rest consists largely of scrap iron and other material and is sent for recycling, a contribution to realizing a circular society.





Real Estate

GP Growing Performance
Stable growth in core areas

Main Services

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

Managing Executive Officer
Hiroyuki Motoshita



Aircraft

GP Growing Performance
Stable growth in core areas

Main Services

- Aircraft operating leases/financing
- Japanese Operating Lease with Call Option* (JOLCO)
- Japanese Operating Lease (JOL)
- Aircraft fleet management and resale
- Business investment (investment in peripheral business)

Senior Managing Executive Officer
Yukihiro Sawada

* 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.

Strong Point

- 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

Strong Point

- Established an extensive track record through arrangement of more than 350 leases for airlines around the world since the launch of our aircraft business in the early days of the aircraft leasing industry
- Possesses aircraft operating lease arrangement and solutions delivery capabilities, developed through hands-on business experience
- Embraces 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

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.

Plans under Fuyo Shared Value 2026

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

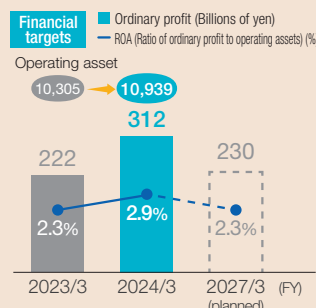


- Create synergies by expanding our product lineup through alliances in peripheral aircraft businesses, while keeping aircraft operating leases as the core of our business
- Contribute to the development of the aviation industry and the establishment of global transportation and logistics infrastructure, while helping to solve social issues, through new aircraft fields (such as sustainable aviation fuels (SAF) and air mobility)

FY2023 in Review

In fiscal 2023, despite a somewhat sluggish office market, we worked on large-scale projects including logistics facilities, theme parks, hotels and others. Also, significant capital gains were recorded that contributed to growth and improvement in both ordinary profit and ROA. In addition, we made every effort to realize a prosperous society by implementing CSV through

21 projects to contribute to realizing a decarbonized society (acquisition of environmental certifications and ZEH) and 15 projects to contribute to the enrichment, convenience and security of daily life in society (real estate leases for medical, nursing care and educational facilities),



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

TOPICS

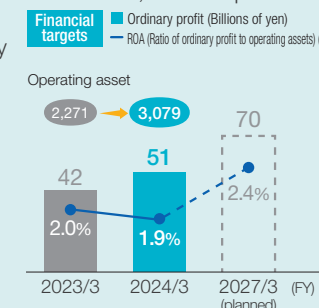
1 In Suma Aqualife Park and Seaside Park Redevelopment Project, Obtained Six Environmental Certifications, Including One Obtained for the First Time in Japan

The Kobe Suma Parks + Resorts joint venture project, which includes the Company, obtained a total of six environmental certifications, including the first domestic acquisition of the "CASBEE for Urban Development 2023 Edition S Rank." Further, taking a lesson from the Great Hanshin Earthquake, sustainable initiatives are being implemented at the facilities and parks themselves with the themes of "water," "heat" and "disaster prevention," including energy independence in the event of a large-scale disaster and the development of eco-friendly facilities in normal times. We will contribute to achieving the SDGs and the branding of the region through the redevelopment of the facility into a new attraction that integrates the local community with a tourist resort, including by reducing environmental impact and ensuring BCP capabilities.



FY2023 in Review

In fiscal 2023, the number of aircraft we possessed reached 58. We have established a staffed site in the U.S., which is contributing to an increase in orders from U.S. airlines. Both the initial formation and subsequent sales of JOLCO and JOL have gone well, and as a result, ordinary profit has steadily increased to ¥5.1 billion. Anticipating the growing demand for aircraft leases, the Group also for the first time secured foreign currency funding from the Japan Bank for International Cooperation (JBIC). The funds will be used to expand our business in the U.S. market, where business opportunities are growing.



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 specialization

TOPICS

1 Freighter Aircraft Lease Begun for Yamato Holdings

The Company began a freighter aircraft lease for YAMATO HOLDINGS CO., LTD. This initiative allows for long-term aircraft reuse, on the one hand, by converting used passenger aircraft into freighter aircraft. At the same time, it will contribute to addressing the so-called 2024 problem with its concerns about declining transport capabilities in the logistics industry. This is the Company's first Passenger-to-Freighter (P2F) project, and through this business we will contribute to CSV in the aircraft market while also aiding in the further growth of the logistics industry.



Photo courtesy of YAMATO HOLDINGS CO., LTD.



Initiatives to Address New Domains

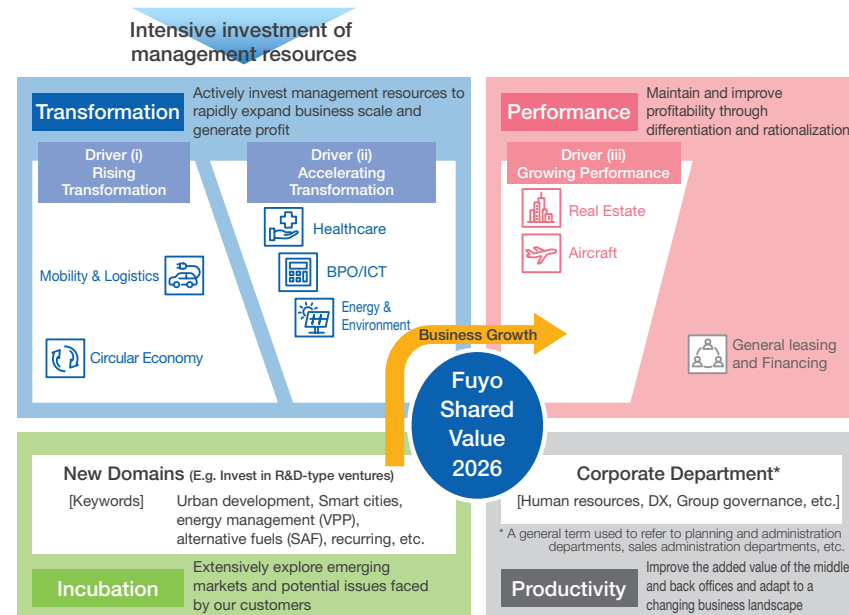
Managing Executive Officer
Takeshi Shimojo



Towards Creating New Value Creation Domains

The Fuyo Lease Group carries out business portfolio management based on a zone management* approach under which it has divided its business areas into four zones to advance the selection and concentration of business. We are also focused on exploring new value creation domains that extend beyond our existing business areas. These efforts seek to ensure sustainable growth for the Group.

We have recently participated in a new neighborhood creation project on the Kobe waterfront. We will continue to extensively explore potential markets that may reveal themselves in the future as well as potential issues of our customers, along with identifying new technologies and collaborative value creation opportunities as we collaborate with a wide range of partners. In this manner, we will pioneer new frontiers of value creation by connecting partners and serving as a platformer.



* Zone management
The Fuyo Lease Group carries out business portfolio management based on a Zone Management approach under which it has divided its business areas into four zones to advance the selection and concentration of business. The Performance Zone is an area where we will maintain and improve profitability through differentiation and rationalization. The Transformation Zone is an area where we will proactively invest management resources to accelerate business expansion and profit generation. The Incubation Zone is an area where we will extensively explore potential markets that may reveal themselves in the future as well as potential issues of our customers.

TOPICS

1 Participation in the KOBE ARENA PROJECT, a new urban development initiative utilizing sports and entertainment

We will strive to enhance the appeal of Kobe through an urban development project that will generate a heightened level of daily excitement and energy. This project will involve the integrated management of a next-generation sports and entertainment arena that will provide a new viewing experience for visitors with a maximum capacity of around 10,000 people, and portside green spaces in the surrounding area, which have been certified as Japan's first Port Environment Development Plan.

The Fuyo Lease Group strongly endorses this project's vision. The Group will advance efforts to energize the community by creating urban vitality and enhancing community walkability centered on GLION ARENA KOBE, and take steps to collaboratively create new value with partners. We are committed to realizing the project's vision for "Creating the Future for the City Center and Waterfront Area."



Rendering of the front of GLION ARENA KOBE

Partnerships

We will solve customers' issues through partnerships built within our networks with customers, thereby helping to create a broader scope of social value.

The Foundation for Collaborative Value Creation with Customers: Partnerships

The Fuyo Lease Group provides solutions that meet customer needs through collaboration between sales divisions that build trusting relationships with customers and dedicated divisions, support divisions, and Group companies that generate new ideas.



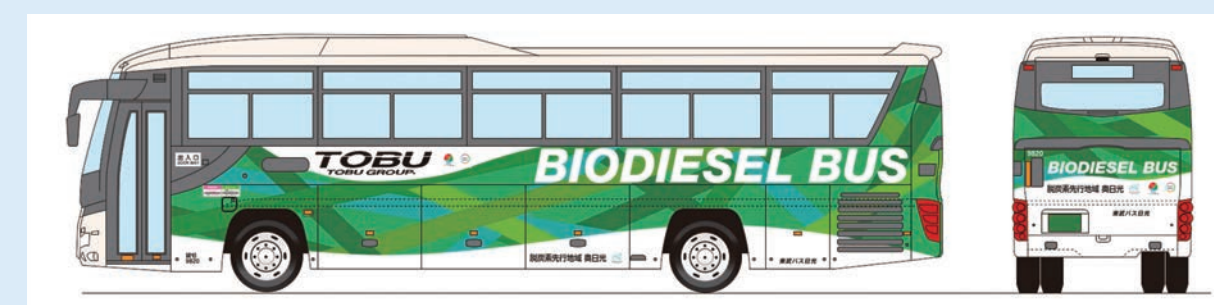
Conclusion of a Basic Agreement on Operational Support for Buses Powered by Biofuel Derived from Waste Cooking Oil in the Nikko Area, Including a Decarbonization Leading Area

Matching customer needs through collaboration between a sales division and support division. Promoting collaborative value creation through a partnership.

We concluded a basic agreement that aims to produce and supply biodiesel-blended diesel fuel compliant with national standards using waste cooking oil from a TOBU Group facility in Tochigi Prefecture. In this project, the responsible sales division identified the TOBU Group's concept and needs for regional decarbonization and the need to operate with "biodiesel" vehicles.

In light of those specific needs, the support division referred Daiki Axis Sustainable Power Co., Ltd., which has advanced biodiesel vehicle technologies, to the TOBU Group. Following

a review, a trial operation of a biofuel bus project using the waste oil-based diesel system was conducted. This project is attracting interest as a concrete example of a particular initiative implemented in a Decarbonization Leading Area.



Global & Diversity

In this section, we will showcase how our global business is evolving at some of our overseas subsidiaries and the activities of the local staff.

The Americas Fuyo General Lease (USA) Inc.

Promoting a DX Strategy at a U.S. Subsidiary

In recent years, Fuyo General Lease (USA) Inc. has been steadily expanding its asset base while collaborating with various dedicated divisions in areas of focus such as renewable energy and real estate, in addition to engaging in the traditional leasing business.

Fuyo General Lease (USA) began updating its core systems to lay the groundwork for implementing one of the Group's DX strategies: Digital Support for Sales Activities. Local staff played a pivotal role in this project from the planning stage. They proactively held numerous meetings and tests with system vendors. The project is expected to be completed in fiscal 2024 following an approximately two-year project period. Leveraging these updated core systems, Fuyo Lease will bolster its support structure for sales activities as it strives to further expand business in the U.S.



From left to right: Haijie Yao, Kaori Yamamoto, Sayoko Fujita, Danielle Crochetiere, and Hiroya Sato

Europe Aircraft Leasing and Management Limited (ALM) **The Americas** FGL Aircraft USA Inc. (AirUSA)

Taking a New Step to Connect the Skies through Group-wide Teamwork



Standing in front of an aircraft we provided to a major U.S. airline (From left: Leigh Russell of ALM and Yuma Shiraiishi of AirUSA)

ALM is a general aircraft-related services subsidiary based in the U.K. It provides services such as fleet management and remarketing. In 2014, we acquired all of ALM's shares to strengthen our aircraft business.

AirUSA is an aircraft leasing subsidiary based in the U.S. In 2022, we assigned staff members to this subsidiary in an effort to increase orders through building relationships with U.S. airlines and enhance our network.

Both companies successfully executed lease transactions with major U.S. airlines in 2023 by making the most of their respective roles and partnerships.

We will continue to foster close collaboration at all of our sites and drive further growth in Fuyo General Lease's aircraft business.

Asia Fuyo General Lease (Thailand) Co., Ltd.

Building Partnerships with Customers also in Thailand

Fuyo General Lease (Thailand) Co., Ltd. primarily operates in the leasing business related to environmental, energy, and mobility sectors. In the field of environmental energy, we have established collaborations with partner companies in Japan and extended them to Thailand, leveraging these partnerships to provide services to corporate clients.

During the implementation of the Building Energy Management System (BEMS) for The Athenee Hotel, a Luxury Collection Hotel, Bangkok in Bangkok, owned by Asset World Corporation Public Company Limited (AWC), a leading real estate group in Thailand, our national staff worked closely with Azbil Thailand Co., Ltd., the local subsidiary of Azbil Corporation, to drive the project and received high praise from our clients. We shared our experience in resolving various challenges unique to the Thai market with Azbil Thailand, which has been an asset in subsequent implementation projects.



From left: Ms. Ai and Ms. Pear, who were responsible for the project

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.

Domestic Group Companies

Fuyo Auto Lease Co., Ltd.

Fuyo Auto Lease reduces complicated operations related to customers' cars and supports a total rationalization of management.

Sharp Finance Corporation

Sharp Finance offers financial services solutions for sales promotions.

Accretive Co., Ltd.

Accretive offers financial services, focusing mainly on factoring business for medical and related receivables.

INVOICE INC.

INVOICE offers integrated billing services, among other services, that help companies improve their productivity.

eXtreak, inc.

eXtreak offers IT facility services to companies.

Fuyo Outsourcing & Consulting Inc.

Fuyo Outsourcing & Consulting offers BPO services that support increased work efficiency in human resources, accounting, administrative, IT, and other operations.

YAMATO LEASE CO., LTD.

YAMATO LEASE offers truck leasing and services that support transport companies in addressing their management issues.

WorkVision Corporation

WorkVision offers comprehensive support covering all aspects of IT solutions, from planning to sales and maintenance.

Human Centrix Co., Ltd.

Human Centrix assists companies with marketing and DX promotion through commercial video production and related services.

FUJITA Co., Ltd.

FUJITA offers services such as replacing and purchasing used medical equipment, as well as assisting with the closure of hospitals and clinics.

Aqua Art Co., Ltd.

Aqua Art offers tropical fish tanks (aquariums) for rent with maintenance.

FGL Techno-Solutions Co., Ltd.

FGL Techno-Solutions offers helpdesk services, kitting, and other services in ICT-related fields.

FGL Circular Network Co., Ltd.

FGL Circular Network engages in resource recycling by purchasing properties with expired leases and used properties, among other efforts.

FGL LeaseUp Business Service Co., Ltd.

FGL LeaseUp Business Service handles the paperwork for lease expiration projects.

FGLGROUP Business ServiceCO., Ltd.

FGLGROUP Business Service conducts shared services related to the sales administration for Group companies, among other activities.

FGL GROUP Management Service Co., Ltd.

FGL GROUP Management Service conducts shared services related to human resources and administrative work for Group companies.

Yokogawa Rental & Lease Corporation

Yokogawa Rental & Lease rents out measuring instruments and IT equipment. It holds one of the largest stocks of equipment in the industry.

MerryBiz Inc.

MerryBiz offers services where professional accountants from across Japan handle accounting tasks online.

Fuyo General Lease Co., Ltd.

Headquarters	Kojimachi Garden Tower, 5-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
Established	May 1, 1969
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)
Number of employees	Consolidated: 3,503 / Non-consolidated: 830 (as of March 31, 2024)
Line of business	Provision of leasing and financial services to corporate clients, along with offering solutions in a broad range of business fields* * Real Estate, Aircraft, Energy & Environment, BPO/ICT, Healthcare, Mobility & Logistics, Circular Economy, and other fields

Overseas Group Companies

Fuyo General Lease (USA) Inc.

Fuyo General Lease (USA) offers financial services to customers located in North America and Latin American countries.

Fuyo General Lease (China) Co., Ltd.

Fuyo General Lease (China) offers leases to companies expanding into China.

Fuyo General Lease (HK) Limited

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

Fuyo General Lease (Asia) Pte. Ltd.

Fuyo General Lease (Asia) offers financial services to companies expanding into Southeast Asia.

Fuyo General Lease (Taiwan) Co., Ltd.

Fuyo General Lease (Taiwan) offers financial services to companies expanding into Taiwan.

Fuyo General Lease (Thailand) Co., Ltd.

Fuyo General Lease (Thailand) offers financial services to companies expanding into Thailand.

Fuyo Lease Europe Ltd.

Fuyo Lease Europe is engaged in the renewable energy generation-related business in Europe.

FGL Aircraft Ireland Limited

FGL Aircraft Ireland leases aircraft to airlines in Europe and Asia.

FGL Aircraft USA Inc.

FGL Aircraft USA leases aircraft primarily to airlines in North America.

Aircraft Leasing and Management Limited

Aircraft Leasing and Management offers comprehensive aircraft-related services including marketing and aircraft management.

Pacific Rim Capital, Inc.

Pacific Rim Capital leases material handling equipment primarily in the U.S.

PLIC Corp., Ltd.

PLIC Corp. offers forklifts for rent and support for deploying automated warehousing systems in Thailand.

TDF Group Inc.

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

Legend:

Energy & Environment	Healthcare
Circular Economy	Real Estate
BPO/ICT	Aircraft
Mobility & Logistics	General Leasing and Financing



Taking on the Challenge of Driving Business Portfolio Evolution by Capturing Changes in Society and Markets

Under our Medium-Term Management Plan Fuyo Shared Value 2026, which began in fiscal 2022, we aim to drive further expansion and evolution in our business domains as we identify changes in social structure and market trends at an early stage. The Group's scope of operations is classified into core areas that have grown into earnings pillars in recent years (Growing Performance), growth areas where markets are now emerging and rapid expansion can be expected (Transformation), and new areas with the potential to create new business opportunities in the near future (Incubation), in addition to the Group's traditional leasing and financing businesses, which were its founding businesses. Having clearly defined our business portfolio structure, we are advancing initiatives tailored to each market's stage of maturity.

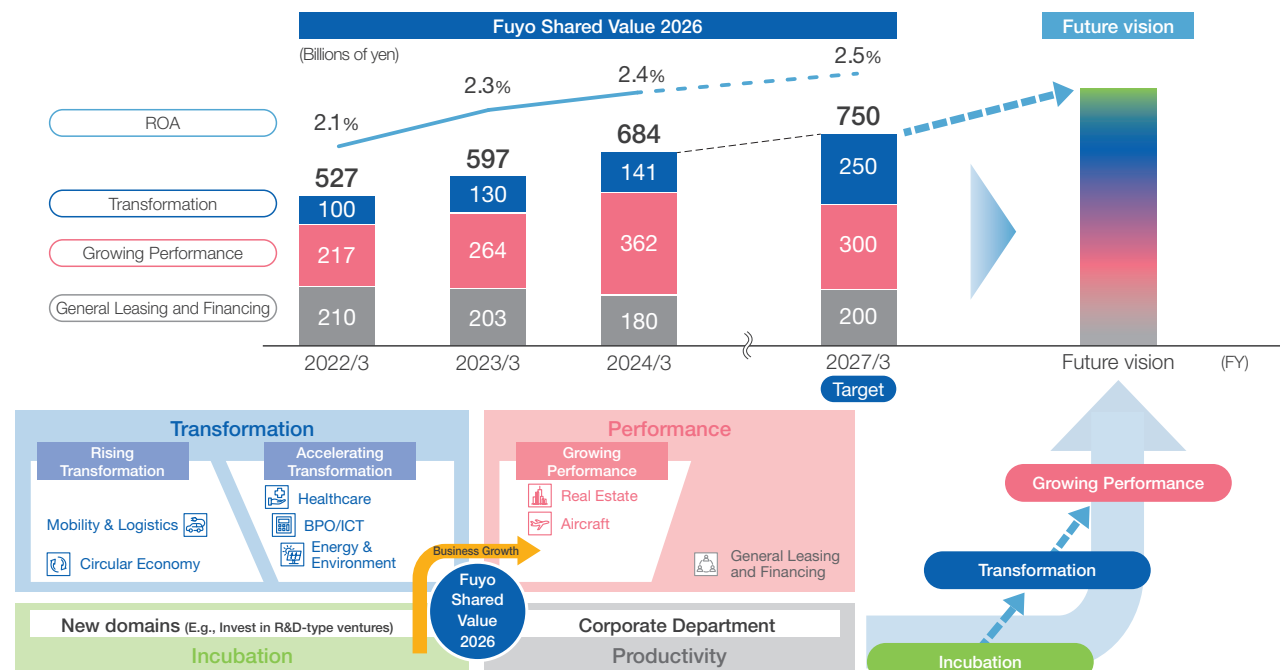
(1) Business Portfolio Evolution as the Foundation of Sustainable Growth

In the Real Estate and Aircraft businesses, which are defined as core areas, we are tirelessly enhancing our ability to deliver solutions to these already mature markets. Simultaneously, we are striving to achieve stable growth by boosting our competitiveness and improving business efficiency. The Mobility & Logistics, Energy & Environment, BPO/ICT, and Healthcare businesses are identified as growth areas, where market expansion has begun along with structural changes in society. In these fields, we are intensively investing management resources to develop them into major earnings pillars within the current medium-term management plan period. Through these efforts, we are working to establish a framework that anticipates future market growth. Additionally, as part of our initiative to create new areas expected to serve as future growth engines, we are investing in and collaborating with start-up businesses that offer the potential for synergies with the Group's existing business areas. Furthermore, we are boldly pursuing

new business opportunities, such as city development projects centered around sports and entertainment, and investments in forestry funds aimed at generating high-quality carbon credits.

Under the current medium-term management plan, we are aiming to achieve stable growth in core areas while significantly boosting earnings power in growth areas to steadily meet both the financial and non-financial targets outlined in the plan. Additionally, we will evolve our initiatives in new areas into business models that align with society's changing needs, transforming them into our next growth engines. By adapting to changes and driving the evolution of our business portfolio in this way, we are committed to achieve sustainable growth as a corporate group.

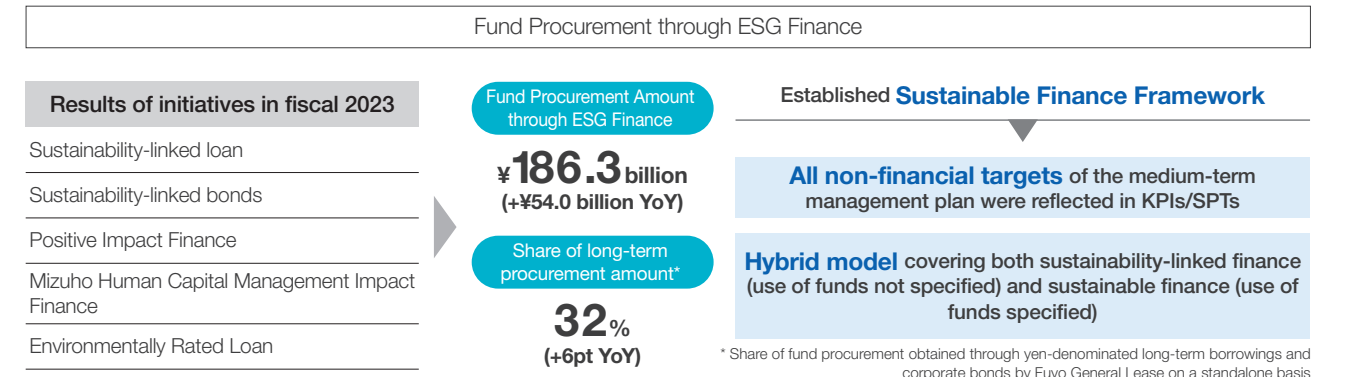
In fiscal 2023, our performance against the management targets of the current medium-term management plan largely exceeded our milestone targets. We will continue to move forward while maintaining the momentum and direction of our growth.



(2) Diversifying Fund Procurement Methods in CSV Management

Based on the CSV management approach, we continued to actively seek to diversify fund procurement methods in fiscal 2023. As a result, we procured funds totaling around ¥180.0 billion through ESG finance, accounting for around one-third of our long-term fund procurement amount and reaching a considerably greater level than in the previous fiscal year. As a new initiative and as part of CSV management, the Group has established a

sustainable finance framework that incorporates KPIs/SPTs that reflect all non-financial targets laid out in the current medium-term management plan. We have utilized this framework to its fullest extent to flexibly procure funds through loans and bonds. Notably, our human capital financing using the syndication method was the first of its kind for a leasing company.

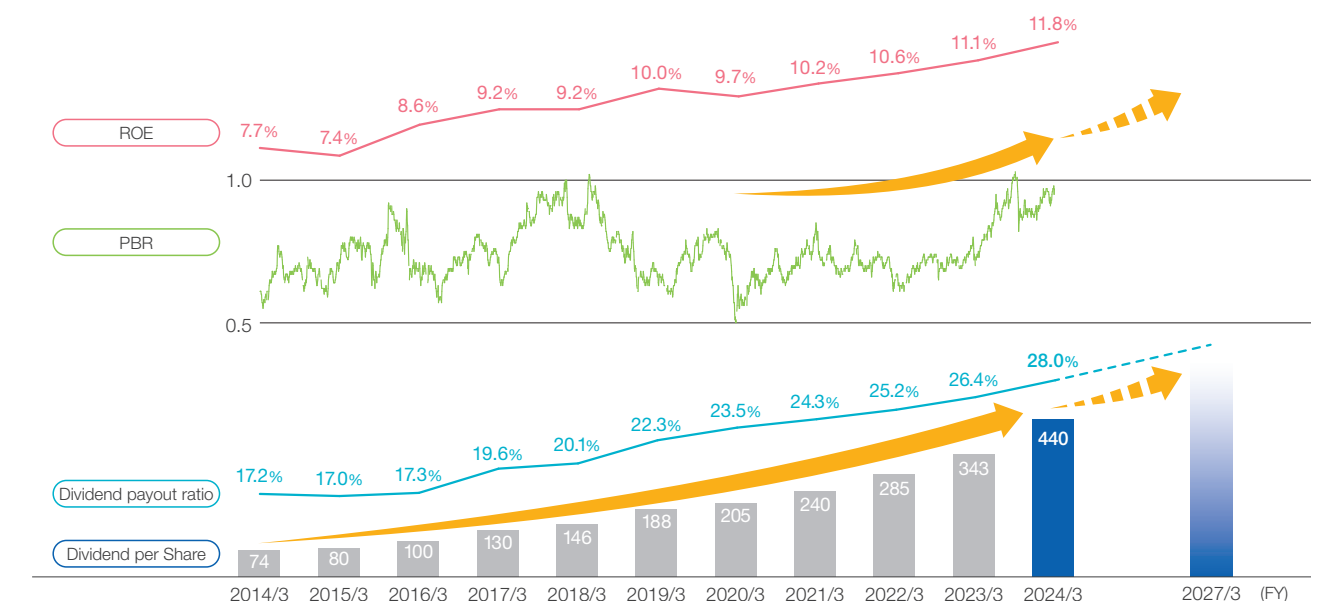


(3) Implementing Management That Is Conscious of the Cost of Capital

As of the end of fiscal 2023, the Fuyo Lease Group's consolidated ROE stood at 11.8%. Over the medium to long term, ROE has consistently remained on an upward trend, which we believe adequately covers the cost of capital. Additionally, PBR (Price book-value ratio) has shown improvement, rising from around 0.5 to nearly 1.0 along with the increase in ROE. Moving forward, we will continue to implement management that is conscious of both capital cost and stock price. We are committed to maintaining a PBR above 1.0 by steadily executing the current medium-term management plan and evolving our business portfolio with an

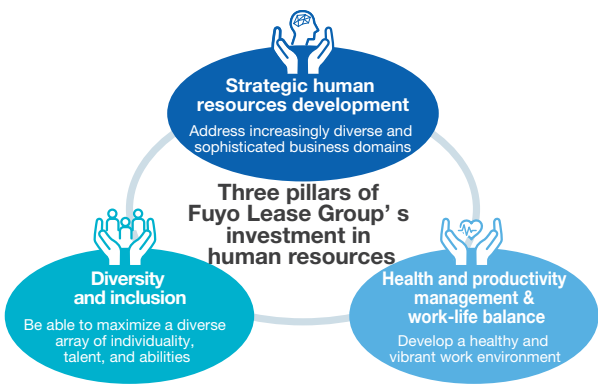
eye toward the future.

With our dividends for fiscal 2023, we have achieved 19 consecutive years of dividend increases since our listing. For fiscal 2024, we forecast dividends with a payout ratio exceeding 30%, aiming to achieve the target for the final fiscal year of the current medium-term management plan two years ahead of schedule. Going forward, we will continue to make Group-wide efforts to steadily implement the current medium-term management plan, centered on CSV management, to achieve sustainable growth in our corporate value.



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

The Fuyo Lease Group encourages its employees to be proactive human resources who think for themselves, act proactively, and are committed to personal growth. We also encourage our employees to be human resources with high levels of expertise in each business domain and the ability to create high added value in each area. To maximize our support for employees' development into these kinds of human resources we seek, we are actively investing in human resources with a target of increasing human resource development expenses (non-

consolidated) to 300% of the fiscal 2021 level by fiscal 2026. In March 2024, we opened the Fuyo Shared Value Creation Center in the Toyosu district of Koto city, Tokyo. This center will serve as a specialized training facility that provides an environment where employees can focus solely on learning. As a result of these efforts, in fiscal 2023, human resource development expenses increased to 249% of the fiscal 2021 level. In fiscal 2024, we expect to achieve our 300% target two years ahead of schedule.



Developing Autonomous Human Resources with a Commitment to Personal Growth

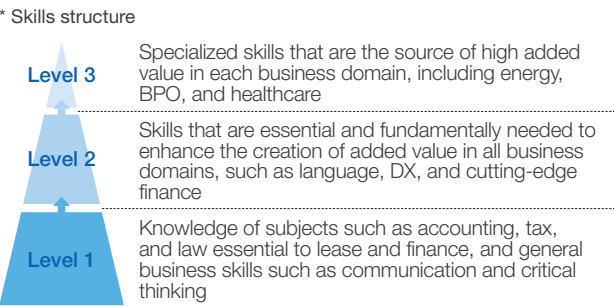
We will increase the autonomy of human resources through initiatives to improve the leadership skills of supervisors and to foster self-awareness among employees.

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. 54 people participated in the training.
Introduced a cafeteria plan (from 2022)	Subsidized the cost of employees' proactive learning, including the costs of attending English conversation schools and business schools, and participating in seminars. In fiscal 2023, usage was 114% of the fiscal 2022 level.
Started an internal seminar program (from 2023)	Began an internal seminar program as a forum for individuals to share and discuss their knowledge with a large number of employees. In fiscal 2023, 39 individuals attended four seminars.

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 skills particularly at Levels 2 and 3 are being expanded. In the language field of Level 2, 38 employees participated in training over two years beginning in fiscal 2022. In this training, the employees worked remotely on issues with overseas business people. In the DX field, we are implementing the DX Personnel Development Program for all employees. Many employees are participating in activities such as e-learning and group training, as well as taking external certification exams. In the finance field, 130 employees participated in training on M&A, securitization and other subjects through an open call process. 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, participation in external seminars, and secondment to partner companies.



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

creating 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 method of recruitment.



Creating an Environment Where Everyone Can Thrive

In terms of female employees, we aim to further expand their fields of activity. With this goal in mind, we are systematically promoting the hiring of new female graduates and appointments of women to management positions. Furthermore, we are working to create an environment in which everyone, regardless of gender, can fully demonstrate their abilities by balancing life events and work responsibilities. This is being accomplished through such means as encouraging the acquisition of childcare leave by men and annual paid leave, providing opportunities for employees to gain exposure to varied careers and role models, and offering diverse work styles, as well as individual support through consultations.



A D&I event where President Oda shared his perspectives

FY2017
Platinum Kurumin Certification

FY2021
Eruboshi Certification (2 Stars)

Main Initiatives

- Encourage the acquisition of childcare leave by male employees
- Informal exchanges between management and employees
- D&I seminars with external female executives serving as instructors
- Hold roundtable meetings with senior female-employee colleagues
- Women's career interviews
- Career consulting (career counseling with two internal and external certification holders, available to all employees on a voluntary basis)

Main Results and Targets

Performance Indicator	FY2021	FY2022	FY2023	FY2026 Target
Ratio of women in new graduates hired (non-consolidated)	52.6%	53.5%	59.1%	40%
Percentage of female employees in management positions (non-consolidated)	29.5%	30.9%	32.2%	35%
Gender wage gap* (non-consolidated)	65.1%	66.5%	67.5%	—

* The gender wage gap is the ratio of women's average annual wages to men's average annual wages for all employees, combining regular and non-regular employees. There is no wage gap between men and women for the same work. The gender wage gap arises from long-distance job transfers, job tracks such as generalist and professional (administrative track), years of service, job descriptions, and personnel evaluations. The main reasons for the wage differences between men and women are that among regular employees, there is a low proportion of women on job tracks involving long-distance transfers and in management positions, both of which offer relatively higher wages. One reason for the gender wage gap among non-regular employees is the presence of many male employees who were formerly in management positions but are now re-employed as contract workers. Another reason is that we are actively promoting new graduate hiring of female employees, which has resulted in an increase in the proportion of women among younger employees, who earn relatively lower wages.

Inclusion in the Workplace

We conduct a variety of awareness-raising activities to increase understanding of unconscious bias. Specifically, we provide e-learning training focused on the themes of LGBTQ and individuals with disabilities, along with group training on those themes for managers, officers, and personnel affairs staff on a joint Group-wide basis. We strive through this training to foster a work environment

in which people show mutual respect for diversity. As a result of these efforts, we received a Silver rating in PRIDE Index 2023, which was developed by the work with Pride Association, a general incorporated association.



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. With this in mind, we are promoting strategic health and productivity management.

Maintaining the Health and Productivity of Employees

We believe that employee disease prevention and early detection of disease are priority issues for health and productivity management. Accordingly, we set the age at which employees can receive a complete medical checkup with no out-of-pocket expenses at 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, in fiscal 2023, we began distributing online seminars on women's health issues, holding individual

consulting sessions guided by a female doctor every month, and offering a program that provides full financial support for the cost of women's health screening to female employees under the age of 35. We also held a walking event in which all Group companies participated for the first time. In recognition of these efforts, the Company was certified as a 2024 Health and Productivity Management Outstanding Organization (large enterprise category). We have received this certification for three years in a row since fiscal 2021.

Performance Indicator	FY2022	FY2023	FY2026 Target
Percentage of employees aged 35 or over who have had a complete medical checkup (non-consolidated)	100%	100%	100%



A consulting session on health and productivity management led by an occupational health nurse
Center-right: Masumi Akao, Occupational Health Nurse, Sompo Health Support Inc.

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. Specifically, 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, which includes fulfilling responsibilities such as childcare and nursing care.

Main Initiatives and Systems

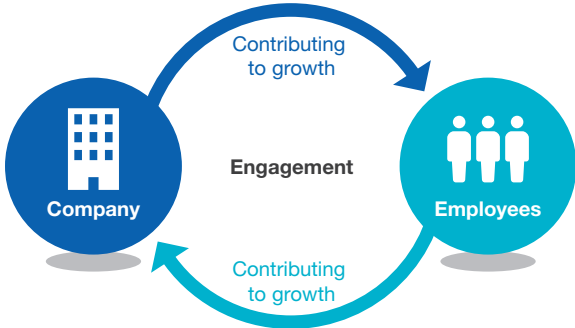
- +Friday (Plus Friday): employees can select one of the Fridays each month when they can leave early
- Refresh Day: each employee designates one day every week when they can leave early
- Flexible work hours: a system that allows employees to select their start time at any time between 7:00 and 11:00 each day
- Encouraging the acquisition of annual paid leave

Performance Indicator	FY2021	FY2022	FY2023	FY2026 Target
Percentage of eligible male employees who have taken childcare leave (non-consolidated)	110.0%	100.0%	108.3%	100%
Rate of taking paid leave (non-consolidated)	82.3%	93.5%	93.3%	90%
Rate of utilizing the +Friday system* (non-consolidated)	89.4%	89.0%	88.7%	—

* The percentage of people who utilized 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). Workers at seconded sites and overseas subsidiaries where the +Friday system is not available are excluded.

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 monitors trends in engagement indicators through employee opinion surveys. 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). At the same time, we are expanding systems and environments in which older employees can actively participate in the company.



Percentage of improvement in engagement indicators* (consolidated)



* The percentage of improvement in engagement indicators measures the average response value of eight indicators, including job satisfaction, value provided to society, and growth, as set forth in employee opinion surveys, covering 14 domestic companies among our main Group companies.

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.

Furthermore, as technological advances spur society's shift to digitalization, we introduce digital technologies and strive to ensure that 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, WorkVision, and Sharp Finance Corporation have acquired DX Certification under the DX Certification Initiative*¹ of the Ministry of Economy, Trade and Industry*².



*1 An initiative that provides national recognition for companies that comply with the basic elements of the Digital Governance Code, based on the Act on Facilitation of Information Processing.

*2 As of March 31, 2024

External Initiatives

Strategy 1

Efforts to Expand New Business Domains

Strategic Target

- Support recurring and subscription business models and other means of business development

Progress

- We completed a new IT infrastructure foundation to support new businesses that generate continuous revenue and initiated activities to expand our circle of potential alliance partners.

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 addition to the Group's BPO services, we began collaborating with startup companies that provide DX solutions using algorithmic and AI technologies and implemented multiple PoC projects.

Internal Initiatives

Strategy 3

Digital Support for Sales Activities

Strategic Target

- Enhance the sales management system
- Advance marketing through data coordination and analysis

Progress

- We completed the renewal of our sales management system, which will serve as a platform that will support sales activities contributing to improved customer service and the creation of new business opportunities. We are promoting readiness for utilizing data in reports, meetings, and other situations.

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

- We pushed ahead with business improvement by visualizing business operations and identifying issues, along with forming the DX Business Improvement Working Group to address organization-wide issues. We are making improvements by actively utilizing digital tools.
- In the course of promoting our DX strategy, we have developed and implemented the DX human resource development program for all employees.

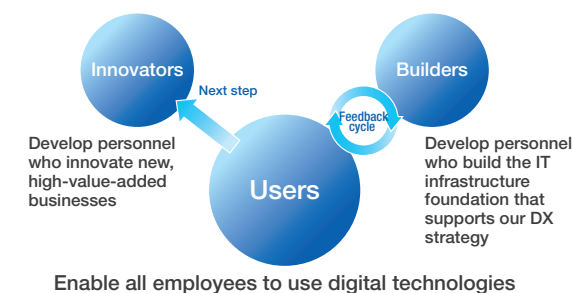
DX Topics

Topic 1 Implementing the DX Personnel Development Program for All Employees

In the course of promoting its DX strategy, Fuyo General Lease has developed and is implementing its DX Personnel Development Program for all employees. The program is based on the belief that it is crucial for every employee to acquire digital literacy. Through this program, we will encourage our employees to

understand the need to transform Fuyo General Lease and its business models through digital technologies. We will also encourage them to feel a strong sense of ownership for this transformation, while also helping them to acquire the skills needed to effectively use technologies and data.

The Program Will Develop Three Types of DX Personnel



Digital Users [Scope: All Employees]

- Digital Users take the initiative to learn about digital technologies and DX, and they effectively use digital tools to enhance business efficiency and operations.
- They possess basic knowledge of business and technology and can identify customer needs and issues.

Digital Innovators [Scope: Business Departments]

- Digital Innovators possess even more advanced knowledge of business and technology, and skills ranging from identifying issues to business development and commercialization.
- They possess data analysis skills that contribute to strategy development, project planning, and sales support.

Digital Builders [Scope: System Department]

- Digital Builders possesses IT skills tailored to their respective business areas as personnel who are responsible for building the IT infrastructure foundation to support our DX strategy.

Topic 2 Implementing an Internal Trial of Generative AI [Major ChatGPT Experiment] ➡ Proceed to Official Deployment

We conducted a generative AI trial that involved several hundred employee volunteers in order to explore internal use cases for generative AI. Many employees used generative AI while performing their actual duties, such as brainstorming, summarizing, translating, and generating programming code. They appreciated the true potential of generative AI.

As part of this initiative, we also introduced ways of transmitting and sharing information that may be useful to employees as they strive to make the most of generative AI. This includes sharing and exchanging opinions about generative AI prompts through internal social media and newsletters.

Based on the results of the trial, we have officially introduced generative AI and will continue to promote its active use in our business operations.



Sample pages of the Internal DX Newsletter "Digital Dive!"

Topic 3 Holding the Internal DX Event "DX Talk Live!"

In August 2023, we held an internal event "DX Talk Live!" to promote a sense of internal cohesion around DX. President Hiroaki Oda spoke during the gathering, explaining to employees why the Fuyo Lease Group is engaging in DX. In addition, the gathering included activities that captured the excitement of a live event, such as lectures from invited external experts, and a discussion session with President Oda, as well as the use of a questionnaire tool that allowed participants to post and share questions and impressions in real time. Employees who attended the event commented, "I realized just how serious Fuyo General Lease and President Oda feel about DX." It was an occasion that fostered greater support for and understanding of DX among officers and employees.



President Oda spoke enthusiastically with employees.



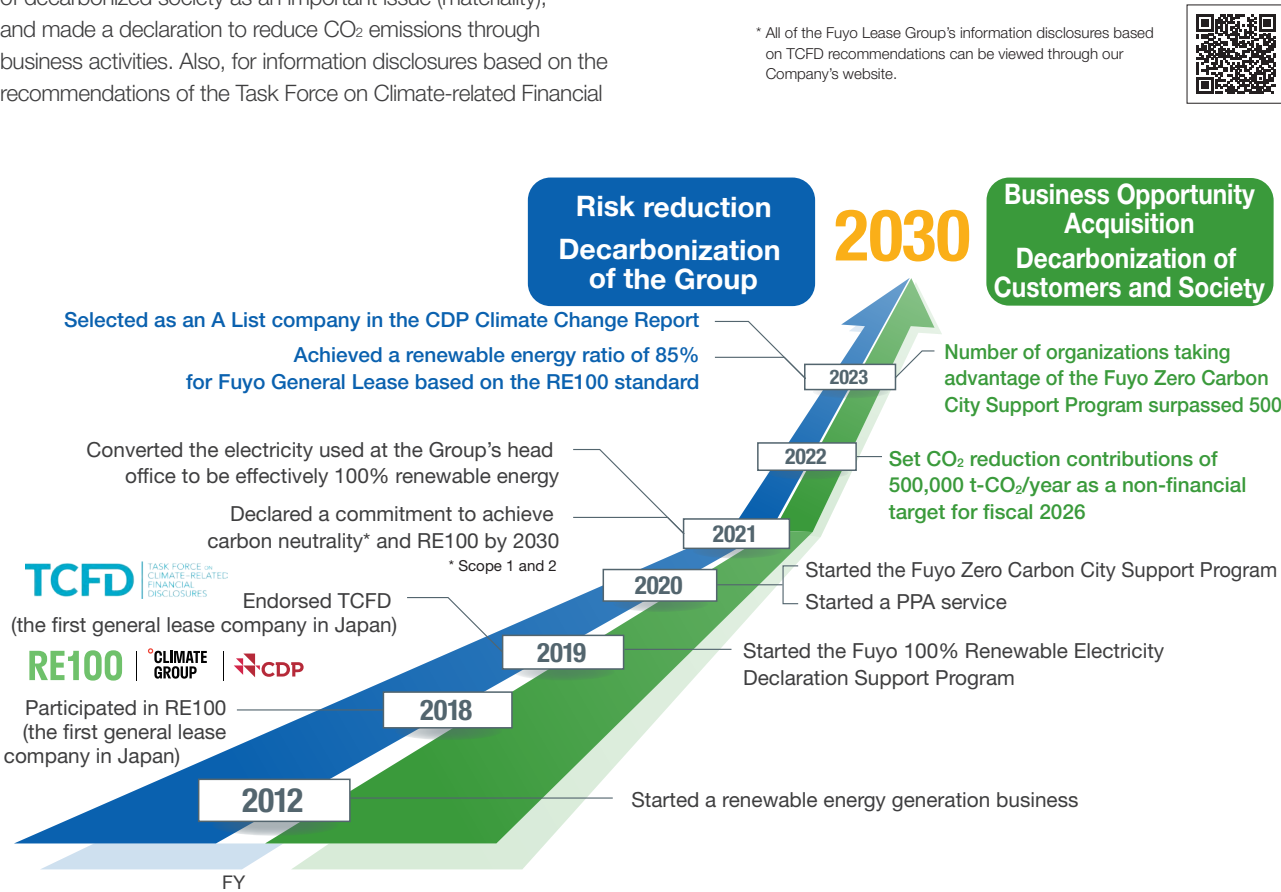
At the venue. The event was held in the office lounge, so employees could feel at ease while participating.

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 Climate-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.



Decarbonization of the Group

Recognizing that climate change initiatives, such as the widespread adoption of renewable energy, are an important priority, we have decided that we must carry out these initiatives voluntarily. In 2018, we became the first general lease company in Japan to participate in RE100. In fiscal 2023, we introduced renewable energy at certain domestic locations, and added eight EVs as company sales vehicles, bringing the total to 14. Furthermore, in fiscal 2023, we used offsets obtained from non-

fossil fuel certificates to increase the percentage of energy we used that was renewable energy to 85% on a RE100 target basis. With this result, we achieved our 50% target for fiscal 2024 ahead of schedule. We will continue to transition the Group to renewable energy for electricity and to reduce the Group's greenhouse gas emissions primarily by introducing renewable electricity to offices and deploying more EVs as company sales vehicles.

Decarbonization of the Group (Medium-term environmental targets)	FY2023 Results	FY2024 Targets	FY2030 Targets
RE100 target* (Percentage of energy used that is renewable energy)	85%	50%	100%
CO ₂ emissions* (Scope 1 and 2)	Compared to FY2020 55% reduction	Compared to FY2020 30% reduction	Achievement of carbon neutrality

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

Decarbonization of Customers and Society

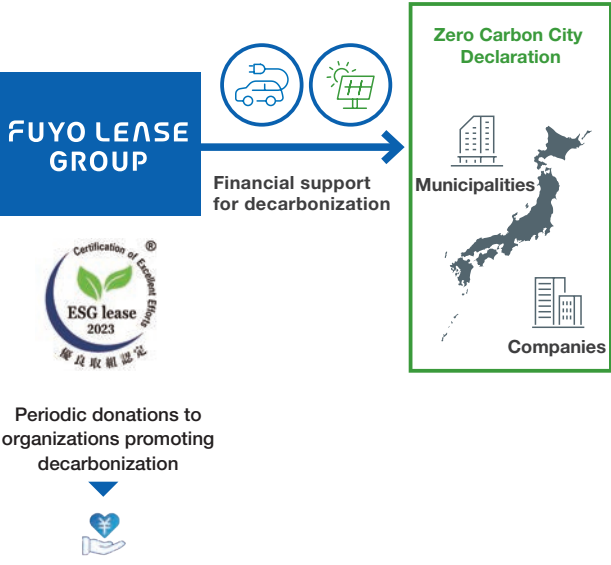
The Group is working to reduce CO₂ emissions through the installation and replacement of renewable energy and energy-saving equipment and devices for its customers, positioning this as an important contribution to reduction that the leasing business can make. These emission reductions and emission reductions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

electricity 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)	FY2023 Results	FY2026 Targets	Details
CO ₂ reduction contributions	330,000 t-CO ₂ /year	500,000 t-CO ₂ /year	—
Amount invested in promoting decarbonization	¥151.3 billion	Total of ¥300.0 billion over five years	—
Renewable energy power generation capacity	705MW	1,000MW	▶ P.21
Percentage of Group vehicles that are EVs or FCVs	1.0%	30%	▶ P.27
Amount of financing handled for the promotion of decarbonization	¥13.5 billion	Total of ¥15.0 billion over five years	Please refer to the Fuyo Zero Carbon City Support Program below.

Fuyo Zero Carbon City Support Program

The Fuyo Zero Carbon City Support Program is a donation-linked preferential financing program that supports the decarbonization of zero-carbon cities, referring to municipalities that have declared a goal of achieving effectively zero CO₂ emissions by 2050. It serves as one form of decarbonization promotion finance. We began offering this program in October 2020. More than 500 client organizations have already taken advantage of the program. In recognition of its accomplishments, the program was selected as a project certified for its excellent efforts in the Ministry of the Environment's FY2023 ESG Leasing Promotion Project.



An Event Held Using the Program's Donations

Global Decarbonization and Issues and Prospects for Regional Implementation in Japan

Organized by The Institute for Global Environmental Strategies (IGES)

Kazuhiko Takeuchi, President, The Institute for Global Environmental Strategies (IGES)

In February 2024, a seminar organized by the Institute for Global Environmental Strategies (IGES) was held using donations from the Fuyo Zero Carbon City Support Program. (Participants: 200 at the venue; a total of 750, including those who participated online.) The event commenced with opening remarks from IGES President Kazuhiko Takeuchi, followed by the presentations of case examples by IGES and various companies, and a panel discussion. The frontlines of decarbonization management, international trends in this field, and regional decarbonization initiatives were covered, and active discussions took place on Japan's challenges and future outlook for decarbonization.

Climate-related Risks and Opportunities

Strategy

To quantitatively measure the impact of climate change and the transition to a decarbonized society on our financial situation, we performed a scenario analysis based on two climate change scenarios: a 1.5°C and 4°C scenario. (In performing the analysis of the 1.5°C scenario, partial data from the 2°C scenario was used for items on which external information was lacking.) The table below shows the climate-related risks and opportunities (summary) we identified as a result of this analysis.

Furthermore, given that the Group has a diverse spectrum of businesses, we performed the analysis by initially identifying Group-wide impact. Subsequently, we conducted a scenario analysis on the Real Estate Business Unit, which has a large portfolio of assets, as well as three business units (Energy & Environment, Mobility & Logistics, and Aircraft) that are anticipated to be significantly affected by climate change due to the nature of their businesses.

Climate-related Risks and Opportunities * 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 & Logistics					
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 of the Medium-Term Management Plan

Fuyo Shared Value 2026 and strategy for each business. 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.

Management and Supervision of Climate-related Risks and Opportunities

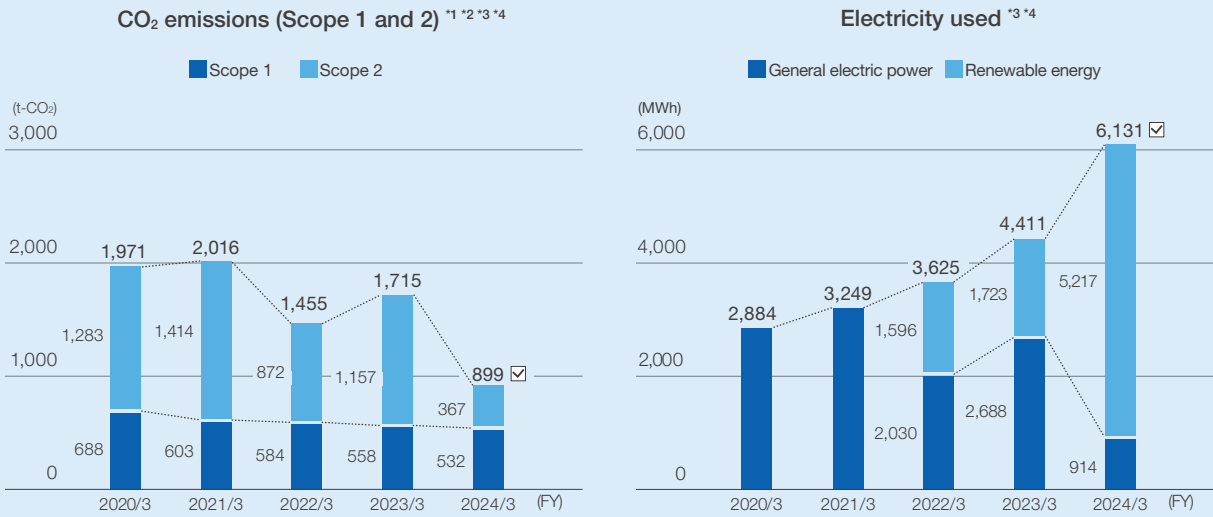
Governance

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. The status of progress toward non-financial targets is reported four times a year.

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. Furthermore, in our Director remuneration, we have introduced performance-linked compensation as variable compensation, in addition to base compensation provided as fixed compensation. This variable compensation includes non-financial items: the amount invested in promoting decarbonization (non-consolidated basis) and expenses related to human resources development (non-consolidated basis).

Environmental Data



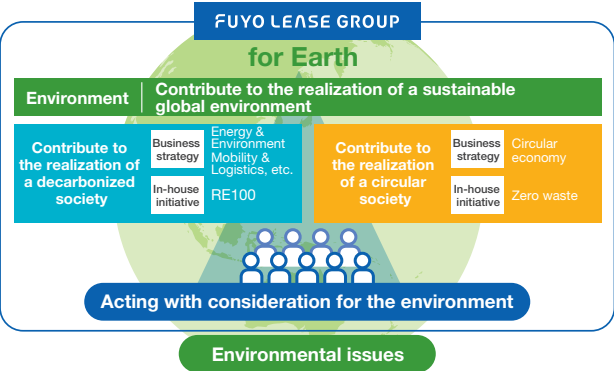
^{*1} Scope 1: Direct emissions from the use of fuel for company vehicles, natural gas, etc. Scope 2: Indirect emissions from the use of purchased electricity, etc.
^{*2} CO₂ emissions are calculated using the emission coefficient specified in the Ministerial Ordinance on Calculation of Greenhouse Gas 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.
^{*3} The statistics are collected from all domestic offices of Fuyo General Lease Co., Ltd., Fuyo Auto Lease Co., Ltd., FGL GROUP 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., Fuyo Outsourcing & Consulting Inc., YAMATO LEASE CO., LTD., WorkVision Corporation, and Human Centrix Co., Ltd., and solar power plant SPCs that are consolidated subsidiaries, 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 aggregated are not indicated. Additionally, solar power plant SPCs that are consolidated subsidiaries have been included in the scope of calculation of Scope 2 CO₂ emissions and electricity used as a result of the establishment of an aggregation framework since fiscal 2023.
^{*4} 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.

Initiatives to Realize a Circular Society

Zero Waste Activities: An Initiative Paired with Business Strategy

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.

Internally, we are implementing Zero Waste Activities as an initiative paired with business strategy. These activities are carried out in relation to the circular economy domain. We are continuing these efforts to encourage employees to choose to act with consideration for the environment.



Promotion of Zero Waste Activities

We believe that Zero Waste Activities correspond to the consumption part of a circular economy. We have initiatives in place for each stage of purchasing, using, and discarding resources and are actively promoting them.

For the purchasing of paper and stationery, we have achieved a green purchasing ratio of over 90% for more than two consecutive years.

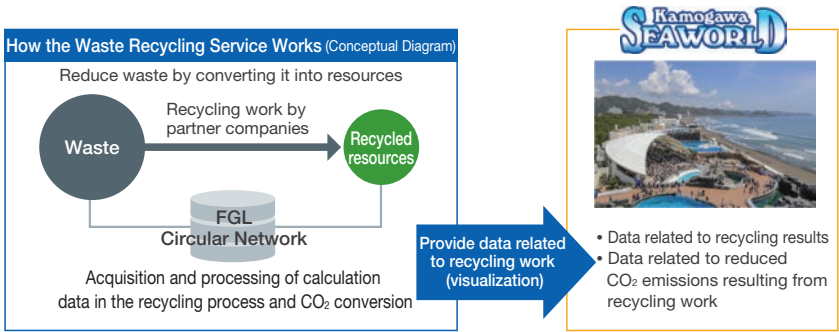
In addition, we have created reusable original goods for the Fuyo Lease Group, with the goal of reducing the use of single-use plastics. We have distributed 2,329 units of these goods and they are actively being used throughout the Group.



Develop Activities into New Businesses

As part of Zero Waste Activities, we share information about our activities and environmental issues through videos and our internal social networking system, with the goal of increasing employee understanding. Through this information and in-house waste sorting activities, we have instilled a belief in the importance of waste sorting with the phrase "Sorting creates resources, mixing

creates waste" and have used this idea in our efforts to make proposals to customers. As a result, these activities have paved the way for us to provide Kamogawa Sea World with a waste recycling service. In these ways, we have seen cases in which in-house activities have led to new businesses.



Initiatives to Promote Zero Waste Activities

Maintained a Green Purchasing Ratio of 90% for More Than Two Consecutive Years

The Fuyo Lease Group has set a target of achieving a green purchasing ratio of over 90% for purchases of paper and stationery. Since it began this initiative in December 2021, the Group has achieved a green purchasing ratio of over 90% for more than two consecutive years.

Through daily data analysis and reporting on the green purchasing ratio, each employees' awareness of green purchasing has improved. This improved awareness has enabled the Group to maintain its green purchasing ratio at a high level.

Green purchasing ratio*1	
Fiscal 2021*2	91.2%
Fiscal 2022	92.3%
Fiscal 2023	94.2%

*1 Cumulative purchasing ratio for a given fiscal year of eco-friendly products for paper and stationery
*2 The period covered in fiscal 2021 was December 2021 to March 2022.

Avoid Receiving or Using Single-use Plastics

In order to reduce plastic waste, we distributed 2,329 units of original goods within the Fuyo Lease Group to serve as alternative items to single-use plastics. Employees selected items that fit their own lifestyles, and some employees shared on our internal social networking system how they plan to use the goods as part of their "My Zero Waste Pledge!"

This pledge was made by 1,028 Group employees, highlighting their efforts to proactively engage in these activities. Awareness of the importance of not using single-use plastics has spread to internal social gatherings and other such occasions.





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.

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.

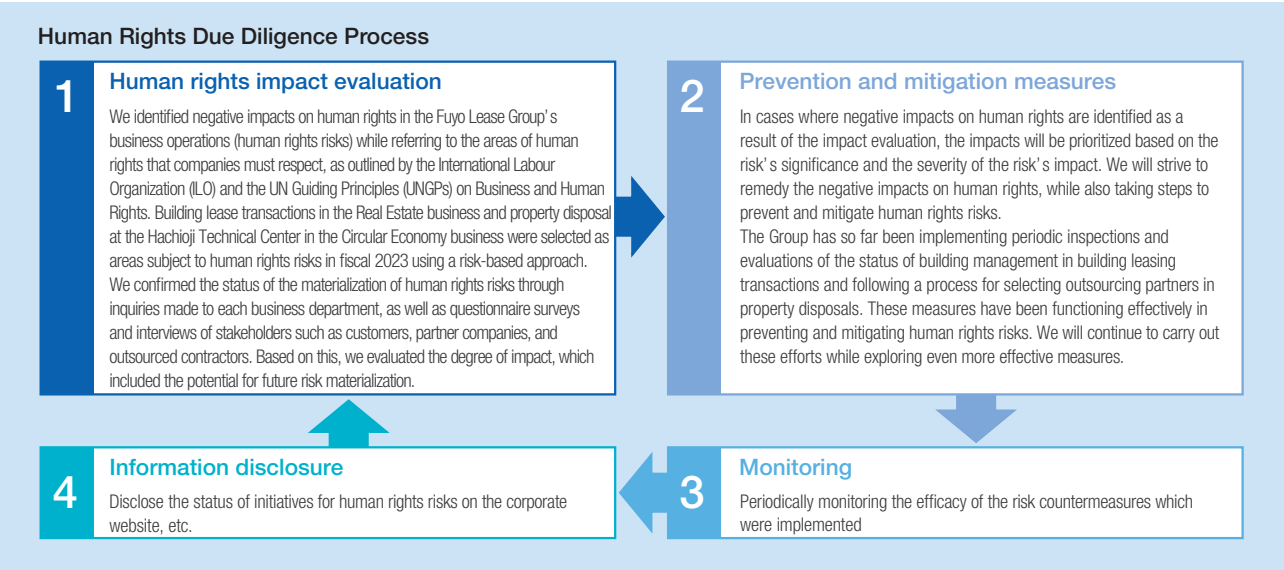
* The Fuyo Lease Group’s Human Rights Policy can be viewed on our Company homepage.



Human Rights Due Diligence Process

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, we will work to prevent and mitigate human rights risks.



Human Rights Education and Awareness Raising Activities

In January 2022, a training session on business and human rights led by an external guest expert was held for officers, heads of departments and branch offices, and presidents of domestic Group companies. The purpose of this training was to increase understanding of the significance of initiatives and human rights in the course of advancing initiatives to address business and human rights. Furthermore, we are working to foster an awareness of respect for human rights by continually providing training on human rights to Fuyo Lease Group employees.

Description of Training Held in Fiscal 2023

Participants	Name of training
Fuyo Lease Group’s officers and employees	Human rights awareness training on diversity and inclusion
Fuyo Lease employees (New hires, newly appointed assistant managers and section chiefs)	Anti-harassment training

Initiatives related to Biodiversity

Group company Aqua Art Co., Ltd. provides aquariums for rent with tropical fish and aquatic plant layouts.

A Natural Ecosystem in an Aquarium

Fish feces and food leftovers are broken down by bacteria that are invisible to the naked eye, eventually becoming a substance called nitrate. Nitrates can cause aquarium contamination and make the fish sick, but aquatic plants absorb them as nutrients. Aqua Art creates aquariums with a beneficial balance of fish and aquatic plants, supporting a natural circulation that fosters a healthy environment for the animals and plants.

Promoting In-house Breeding and Cultivation of Fish and Aquatic Plants

Aqua Art is also engaged in breeding fish and cultivating aquatic plants that form these natural environments. The aquariums are stocked with some tropical fish from the in-house breeding program, including platies, yellow



In-house bred yellow molly fry

mollies, corydoras, and African butterfly cichlids. Currently, almost all the aquatic plants are sourced from in-house regrown plants cultivation, utilizing plants brought back from maintenance work.

Contributed to Biodiversity Education

In 2023, we held summer aquarium events at Nagareyama Otakanomori Shopping Center and Tamagawa Takashimaya Shopping Center. Exhibits were designed to stimulate interest in aquatic life and incorporated educational elements, primarily targeting preschoolers and children in the early years of elementary school. For example, shark eggs were displayed along with shark exhibits, fish panel names included explanations, and stamp rallies allowed children to exchange stamps for fish cards, encouraging children to think for themselves while also having fun.



Aqua stamp rally

Community Contribution

Basic Approach

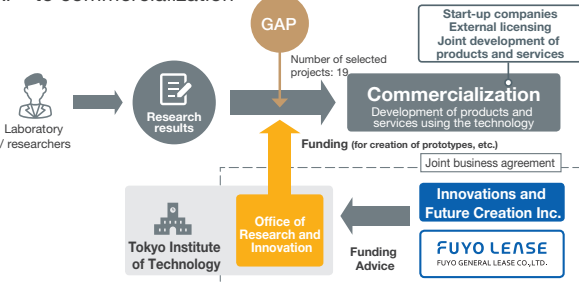
The Fuyo Lease Group believes it is essential to strengthen partnerships with external stakeholders through contributions to the community to continue to develop sustainably together with society. In particular, we support the environment, the academic and research fields, and culture and art fields 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, 19 projects have been selected, of which two have resulted in creating startup companies. Since July 2023, this fund has been operated as the Fuyo Mirai GAP Fund Program. Through this program, we 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 May 2024, we started exhibiting the fund’s 10th work at the new head office building of SEED Co., Ltd. We plan to gradually expand the exhibitions to other spaces provided by our customers who support the fund’s objectives.



Creator Sae Ishii (left) with her work, “Mainichi,” and Masahiro Urakabe (right), President & CEO of SEED Co., Ltd.

Board Members

As of June 21, 2024



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 Deputy President and Executive Officer of the Company

June 2015 Director and Deputy President, Deputy 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, Kanda Corporate Division, Kanda Branch of Mizuho Bank, Ltd.

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

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

Apr. 2014 Executive Officer and General Manager, 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, Deputy 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 Keiji Takada

Director and Deputy President (Representative Director)

Apr. 1984 Joined The Fuji Bank, Limited

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

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

Apr. 2014 Executive Officer and General Manager, 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, Deputy President and Executive Officer, Representative Director of the Company (current position)

4 Yusuke Kishida

Director and Deputy President (Representative 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. (retired in March 2016)

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

Apr. 2018 Executive Officer and General Manager, 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

Apr. 2024 Director and Deputy President, Deputy President and Executive Officer, Representative Director of the Company (current position)

7 Hideo Ichikawa

Director

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

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

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

June 2018 Director of the Company (part-time) (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)

10 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 Administrative Officer and General Manager in charge of 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

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 (part-time) (current position)

5 Hiroshi Takahashi

Managing Director

Apr. 1987 Joined the Company

Apr. 2016 Deputy General Manager, Corporate Planning Division of the Company

Apr. 2017 General Manager, Corporate Planning Division of the Company

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

Apr. 2021 Managing Executive Officer of the Company

June 2024 Managing Director, Managing Executive Officer of the Company (current position)

8 Masayuki Yamamura

Director

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

June 2019 Director of the Company (part-time) (current position)

Mar. 2020 Chairman of The Telecommunications Association (current position)

June 2024 Director (part-time) of TOKYO GAS CO.,LTD. (current position)

July 2024 Senior Advisor of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (current position)

11 Masato Morikawa

Full-time Audit & Supervisory Board Member

Apr. 1989 Joined the Company

Apr. 2008 Deputy General Manager, Finance Division of the Company

Apr. 2013 Deputy General Manager, Business Solution Division of the Company

Apr. 2014 Deputy General Manager, Advanced Products Marketing Division of the Company

Apr. 2018 General Manager, Aircraft Business Planning & Management Division of the Company

Apr. 2024 Counselor of the Company

June 2024 Full-time Audit & Supervisory Board Member of the Company (current position)

6 Seiichi Isshiki

Director

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 (part-time) (current position)

9 Hiroko Matsumoto

Director

Apr. 1983 Joined Toshiba Corporation

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

Specialty 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 (part-time) (current position)

12 Takashi Yonekawa

Audit & Supervisory Board Member

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)

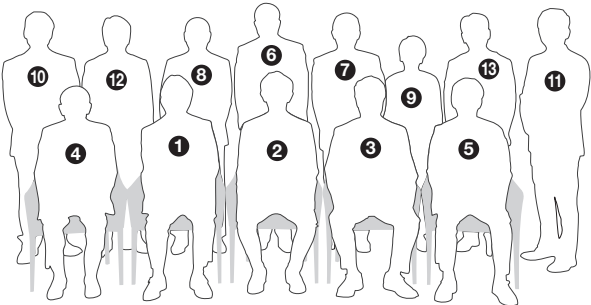
June 2020 Audit & Supervisory Board Member of TPR Co., Ltd. (current position)

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

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

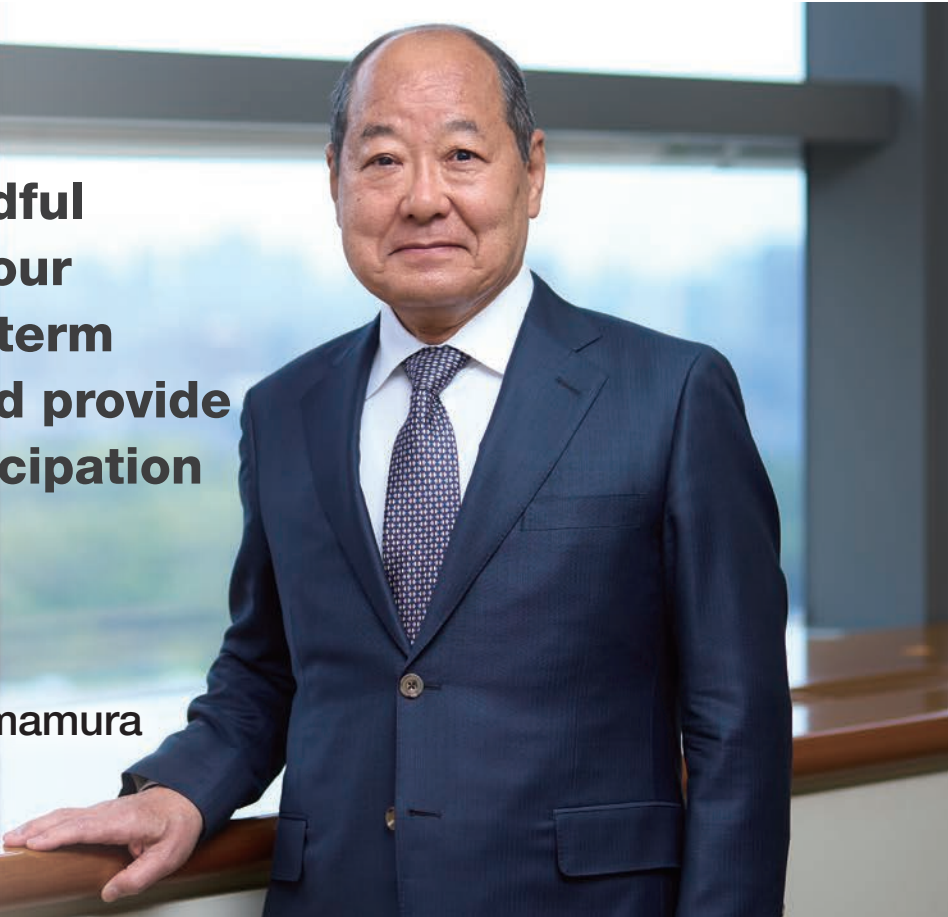
June 2021 Outside Audit & Supervisory Board Member of the Company (part-time) (current position)

Apr. 2024 Vice-chairman of the National Federation of Health Insurance Societies (current position)



I strive to stay mindful of the direction of our medium- and long-term growth strategy and provide suggestions in anticipation of the next steps.

Outside Director
Masayuki Yamamura



Improving the Effectiveness of the Board of Directors

It has been five years since I assumed the position of Outside Director of the Company. During this time, one notable change was that the Company adopted a Board of Directors structure in which the Director and Chairman, who is a non-executive officer, has served as the Chairperson of the Board of Directors since fiscal 2022. This structure has allowed the Board of Directors to operate with a more effective balance between business execution and supervision. Furthermore, briefings for outside officers on important proposals have been invigorated, and discussions on questions and opinions from various perspectives take place, with participation from department and office heads on the front lines. The discussions can become critical at times, and it is not uncommon for the content of a proposal to be amended. I feel that very meaningful discussions are taking place.

Although most of the outside directors have experience in corporate management, they have a well-balanced composition, including those with experience in human resources education, women, and global management, giving them a multifaceted viewpoint.

I constantly strive to ensure that my comments do not solely reflect a business-execution perspective. What I always keep in mind are the importance of delegating execution matters to executives, from a more supervisory standpoint, we are always conscious of checking execution from the perspective of risk checks based on our experience in corporate management, as well as suggesting the direction of medium- and long-term growth strategies for the next stage of growth from the perspective of an outside director.

Penetration of CSV Management and Future Growth

I believe that the CSV management that our group is engaged in is not simply the idea of following the trends of the world, but rather the understanding that CSV is the source of business and the lifeblood of future companies. I feel that our commitment to a decarbonized society, where we actively engage in businesses that solve problems and contribute to society through value creation, is an example of this, and is the driving force behind our sustainable growth.

To achieve further growth, I believe the Group will need to expand its business activities overseas even more than before.

The overseas energy sector is particularly appealing, and advanced technologies in those fields are created overseas. Geographically, I expect that an important theme will be how the Group expands its business to Asia, where the population continues to grow. In the process, the Group will inevitably face human resources issues. For example, local management and personnel with expertise in specialized fields such as international legal affairs will be essential. I would like to provide solid advice on the various challenges that the Group may face as it expands its business overseas, as well as on ways to solve those issues.

Promoting DX and Enhancing Human Capital

I believe that the Fuyo Lease Group has strategically implemented digital transformation (DX) and is making steady progress. The most significant aspect of corporate DX is that employees are willing to change their work styles in earnest. Going forward, DX will rapidly be advancing the adoption of AI in back-office departments and reallocating the labor freed up in the process to the front lines to further enhance overall performance. Companies that actively participate in this process will be the winners. Developing human resources to achieve this task is an urgent priority. In the near future, I expect that AI will be routinely utilized in back-office departments as well.

From the perspective of human capital, the Fuyo Lease Group has set an ambitious target of increasing human resource development-related investment to 300% of the previous level, and it has been making steady strides toward that target. Meanwhile, there is still room for improvement in the Group's human resources recruitment and development methods. When expanding into new business areas to grow, the Group will need to hire more mid-career employees in addition to new graduates. One challenge will be how to integrate this new workforce with existing human resources. In my opinion, addressing the potential mismatch between existing and newly hired personnel that accompanies business growth, particularly regarding remuneration, personnel assignments, and various systems, will be a challenge for the Company. Another challenge will be carefully assessing whether employees have acquired the expected skills and are demonstrating these skills in their work.

Roles to Be Fulfilled by the Nomination and Remuneration Advisory Committee

In terms of the nomination of officers, the Fuyo Lease Group is not currently experiencing a period of leadership change. For this reason, we strive to understand the intentions of the Group's management leaders, such as what kind of business operations they wish to implement. Concurrently, we put emphasis on understanding the status of progress on personnel appointments, including the appointment of

female employees and the selection of younger employees for key roles. We are currently revising board remuneration while referencing an external database on board remuneration, and we are maintaining an appropriate balance between board remuneration and pay raises for officers and employees.

Furthermore, we have introduced performance-linked compensation and stock-based compensation, which tie bonuses for directors and other officers to financial results, as well as to the degree to which non-financial targets are met and certain other factors. I believe that the Group's remuneration framework is in accordance with the current times.

My Future Expectations for the Fuyo Lease Group

The Fuyo Lease Group has achieved growth by enhancing its financial results while steadily meeting its targets. Nonetheless, I feel that the Group may eventually encounter an impasse to growth. That is when the Group should start taking the next steps. Currently, aircraft leasing and real estate generate stable earnings in the Group's Performance Zone. However, companies constantly evolve. They even have the potential to evolve into companies with completely different businesses.

Other companies will also venture into promising areas. Therefore, the Group must conduct serious discussions regarding which fields it will enter, bring people together, and boldly expand into new areas. At the same time, the Group should also continue to expand its existing businesses. I believe that this approach has the potential to generate significant growth.

In closing, I would like to convey the message that I want the Fuyo Lease Group to undertake the challenge of entering its next phase of growth by actively taking risks as much as possible. Now is the time for proactive communication to ensure that stakeholders, notably investors, have a genuine sense of the Fuyo Lease Group's strong growth potential. From this perspective, I am committed to making every effort to support the Group.



Corporate Governance

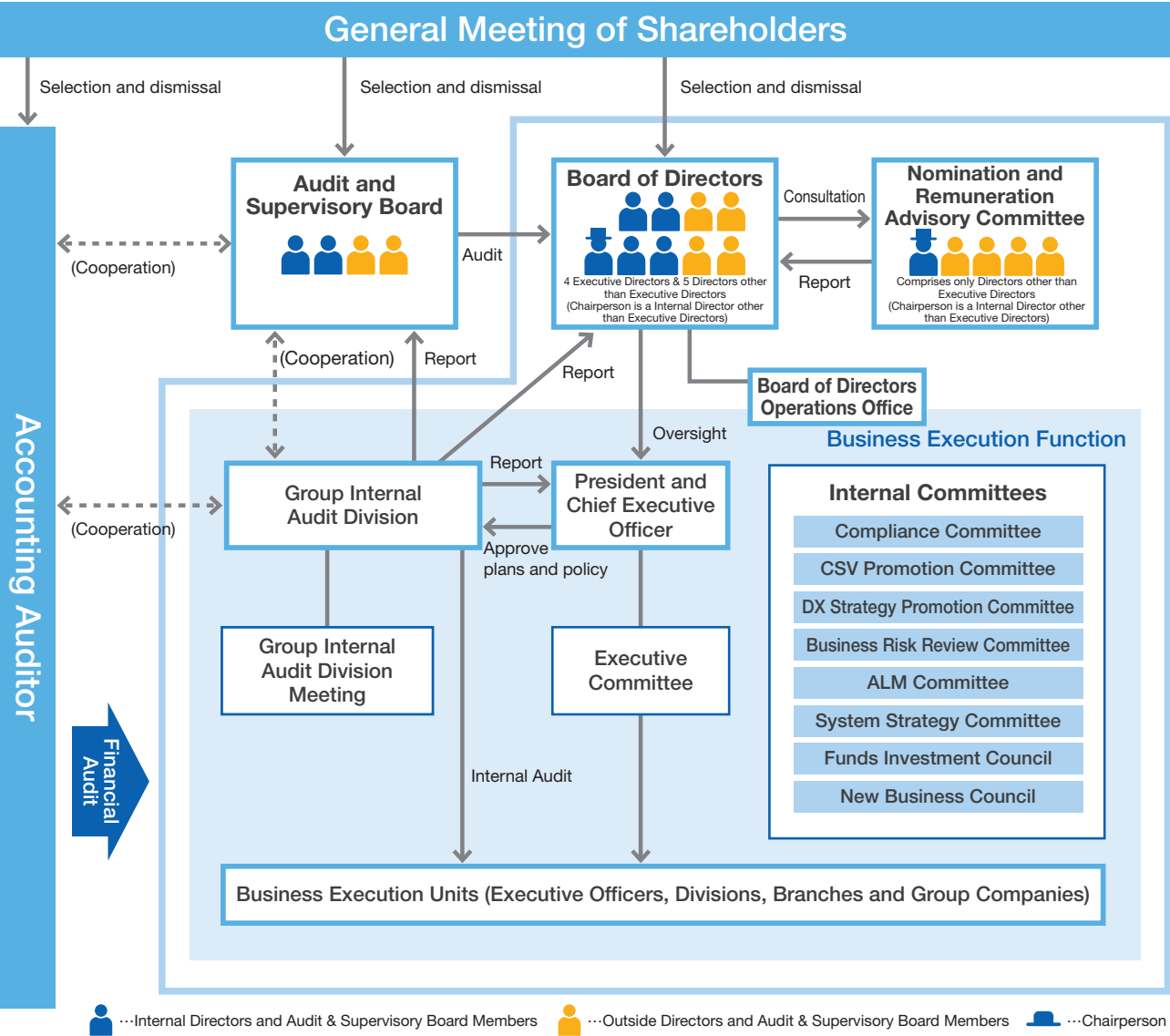
/ Corporate Governance Approach and Structure

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 Values 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 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	- Increased the number of Independent Outside Directors from one to two - Established the Corporate Governance Guidelines - Set up the Nomination and Remuneration Advisory Committee	- To strengthen the management oversight structure - To comply with the Japanese Corporate Governance Code - To ensure independence and objectivity in the decision-making process for matters such as nomination and remuneration
2016	Started analyzing and evaluating the overall effectiveness of the Board of Directors	To verify the effectiveness of roles, functions, etc. of the Board of Directors and to make ongoing improvements
2018	- Increased the number of Independent Outside Directors from two to three - Introduced a stock compensation plan (Board Benefit Trust, BBT)	- To strengthen the management oversight structure - To strengthen links between Board Remuneration, shareholder value, and achievement status of the Medium-term Management Plan
2019	- Released an English version of the Corporate Governance Report - Began reporting annual internal audit results and annual plans and policies to the Board of Directors	- To enhance external disclosure related to corporate governance - To expand reporting lines for internal audits
2021	- Increased the number of Independent Outside Directors from three to four - Revised Corporate Governance Guidelines	- To strengthen the management oversight structure - To comply with the revised Japanese Corporate Governance Code
2022	- Appointed a non-executive Director as chair of the Board of Directors and comprised the Nomination and Remuneration Advisory Committee of non-executive Directors - Regarding 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.	- Separation of execution and supervision - To ensure the achievement of financial and non-financial targets in the new medium-term management plan

Board of Directors

FY2023 Attendance rate
11 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 oversight. The Board of Directors deliberates and decides on important matters such as management plans and risk management, as well as reporting on sustainability and CSV-related policies and progress, including non-financial targets (contributions to reducing CO2, engagement indicators improvement rates, etc.) and progress with plans in each business domain, and supervising the Directors and Executive Officers in the execution of their duties.

Nomination and Remuneration Advisory Committee

FY2023 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 & 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

FY2023 Attendance rate
14 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 & Supervisory Board Member, an employee (a staff member from the Board of Directors Operations Office) has been appointed to assist them.

Internal Committees

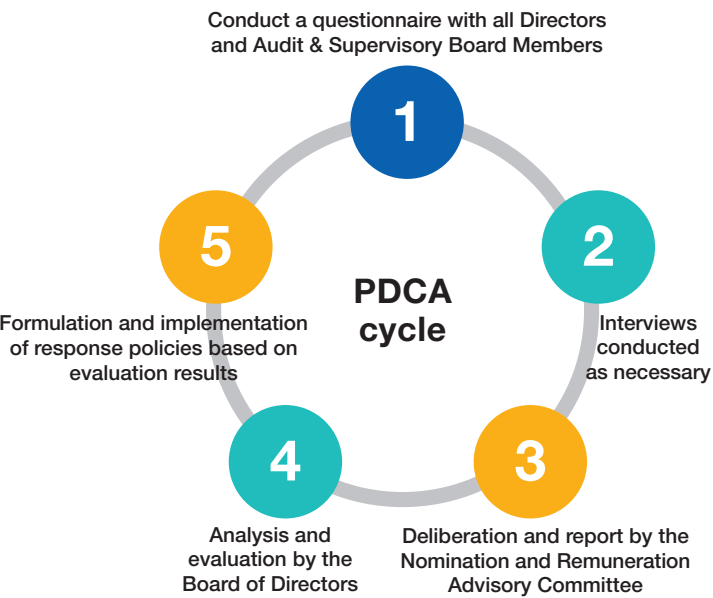
Compliance Committee	The Compliance Committee discusses matters related to the promotion of compliance systems and the formulation of compliance programs (annual plan).
CSV Promotion Committee	The CSV Promotion Committee directs CSV promotion and deliberates on materiality planning, etc.
DX Strategy Promotion Committee	The DX Strategy Promotion 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	The 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	The 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	The 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	The New Business Council deliberates on new projects that may generate new business fields.
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 Oversight and execution by 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	- Further strengthening of risk management functions, including scenario analysis reports on risks in the event of a major disaster and periodic reporting on the economic environment and its impact, such as interest rate and exchange rate conditions. - Enhancement and refinement of information provision, including detailed reports on the talent portfolio in deliberations on succession planning
Steady progression was made on the Medium-Term Management Plan and further deepening of CSV management	Ensure the steady implementation of the medium-term management plan and enhancement of CSV management, including more frequent opportunities for reporting on non-financial target progress at the Board of Directors and providing reports on employee engagement.
Further enhanced information provision to Outside Directors	Conduct site inspections for Outside Directors, including visits to business partners and providing interaction with employees, as well as briefings by legal counsel regarding on legal risks related Group business.

Future Issues and Initiatives

We recognized several issues that need to be addressed, including the continued advancement of the succession plan, further enhancing deliberation on medium- to long-term themes, CSV management, better information provision to

Outside Directors, continuous improvement in diversifying the composition of the Board of Directors, and strengthening the Group's governance.

/ Support for Outside Directors

The Company provides its Outside Directors with various forms of support, including sending agendas for Board of Directors and Audit & Supervisory Board meetings in advance, offering pre-meeting briefings on items to be submitted to the Board of Directors, providing materials and minutes from Executive Committee meetings, offering opportunities to observe

meetings of heads of departments, offices and branch offices, organizing onsite inspections, and facilitating opportunities to attend external seminars. Three staff members have been assigned to the Board of Directors Operations Office to manage these secretariat functions for the Outside Directors.

About Us	Shared Value Story	Strategy & Action	Foundation for Shared Value Story	Corporate Governance	Financial Section & Corporate Data
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/ 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 Remuneration Advisory Committee, which is comprised of a majority of 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, etc., 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	9 years	Finance (bank/leasing)					
	Hiroaki Oda	President and Chief Executive Officer (Representative Director) President and Executive Officer		3 years	Finance (bank/leasing)					
	Keiji Takada	Director and Deputy President (Representative Director) Deputy President and Executive Officer		4 years	Finance (leasing)					
	Yusuke Kishida	Director and Deputy President (Representative Director) Deputy President and Executive Officer		2 years	Finance (leasing)					
	Hiroshi Takahashi	Managing Director Managing Executive Officer		(New election)	Finance (leasing)					
	Seiichi Isshiki	Director Outside Independent	Member	9 years	Resources and energy					
	Hideo Ichikawa	Director Outside Independent	Member	6 years	Chemical and manufacturing					
	Masayuki Yamamura	Director Outside Independent	Member	5 years	Telecommunications and technology					
	Hiroko Matsumoto	Director Outside Independent	Member	3 years	University education and industry-government-academia partnership and product design					
Audit & Supervisory Board Members										
	Masaharu Nakamura	Full-time Audit & Supervisory Board Member		2 years	Finance (leasing)					
	Masato Morikawa	Full-time Audit & Supervisory Board Member		(New election)	Finance (leasing)					
	Takashi Yonekawa	Audit & Supervisory Board Member Outside Independent		3 years	Finance (insurance)					
	Hiroshi Imoto	Audit & Supervisory Board Member Outside Independent		3 years	Finance (international finance)					

(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.

CSV Promotion System

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 Remuneration 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-linked 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-linked compensation, or cancelation of their right to receive stock compensation.

The diagram shows a compensation structure where the total compensation is divided into Base compensation (1) and Variable compensation (0.7). The Variable compensation is further divided into Performance-linked compensation (5) and Stock compensation (7), resulting in a 5:7 ratio.

Base compensation

Base compensation is determined with reference to the general level of remuneration for employees and Directors, as well as Fuyo Lease's business conditions and other factors.

1

0.7 **Variable compensation**

Performance-linked compensation **Stock compensation**

5 : 7

Performance-linked compensation is determined based on consolidated performance and each individual's contribution to performance. Indicators related to performance-linked compensation

- Financial items: ordinary profit, ROA, shareholders' equity ratio and ROE (all on a consolidated basis)
- Non-financial items: Amount invested in promoting decarbonization and expenses related to human resources development (both on a non-consolidated basis)

After a Director retires upon fulfilling the requirements for receiving benefits, the BBT will provide benefits in the form of Company shares acquired by the BBT in accordance with the Director's position and term of office at the time of retirement. (A certain percentage of the Company's shares will be paid in cash at the market price equivalent in lieu of Company shares.)

Officer classification	Total amount	Breakdown of remuneration			Number of Directors Applicable
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors	¥361 million	¥236 million	¥46 million	¥79 million	9
	Outside Directors	¥48 million	–	–	4
Audit & Supervisory Board Members	¥66 million	¥66 million	–	–	4
	Outside Audit & Supervisory Board Members	¥21 million	–	–	2

CSV Promotion System

CSV Promotion System

The diagram illustrates the CSV Promotion Office's position within the corporate governance structure. It shows a vertical hierarchy of decision-making bodies, with the CSV Promotion Office acting as a secretariat to the Executive Committee and providing cooperation to the departments and offices.

- Board of Directors**: The highest level of governance. It receives reports (at least once a year) and provides oversight.
- President and Chief Executive Officer**: Reports to the Board of Directors and provides approval for deliberations and reports.
- Executive Committee**: Discusses and deliberates on matters, with the CSV Promotion Office acting as its secretariat.
- CSV Promotion Committee**: Chaired by the Executive Officer, Head of Planning and Administration Department. It reports on initiatives and progress and reflects on business strategies for CSV promotion.
- Departments, offices, branch offices and group companies**: The base of the organization, which cooperates with the CSV Promotion Office.

Arrows indicate the flow of information and decision-making: solid arrows for direct reporting and oversight, and dashed arrows for cooperation and reflection.

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 Planning and Administration Department, and has members made up of the head of corporate department and the heads of business department 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 to the Board of Directors at least once a year, while the progress on non-financial targets is reported four times a year.

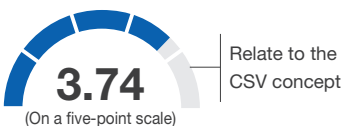
	Topic for discussion
April 2023	(1) Fiscal 2022 non-financial KPIs results (2) Review of TCFD disclosure information
July	Main response items in the fiscal 2023 Integrated Report
September	Non-financial KPI targets for each fiscal year under the medium-term management plan
October	(1) First half fiscal 2023 non-financial KPIs results (2) Progress status of management strategy
March 2024	(1) Non-financial KPI targets for each fiscal year under the medium-term management plan (2) Results of ESG Finance Awards Japan and CDP score

A social event was held for the local staff of overseas affiliated companies and Group companies. The objective was to infuse the management policies of the Fuyo Lease Group, share the Company culture, key initiatives and approach, and to foster a sense of unity among the staff as members of the Group. Local staff from various countries participated, deepening their understanding of CSV management and the thinking behind the Company's Mission, Vision and Values. During a workshop held as part of the events, participants engaged in lively discussions, regardless of their seniority or positions.



Survey of internal understanding of CSV*

Fiscal 2020	Implementation of the “Let’s CSV!” training program for promoting CSV understanding, empathy, and practice. For Fuyo General Lease employees.
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 Values.
Fiscal 2023	(1) The above workshops have been completed for all the domestic Group companies. (2) A social event was held for the local staff of overseas affiliated companies.



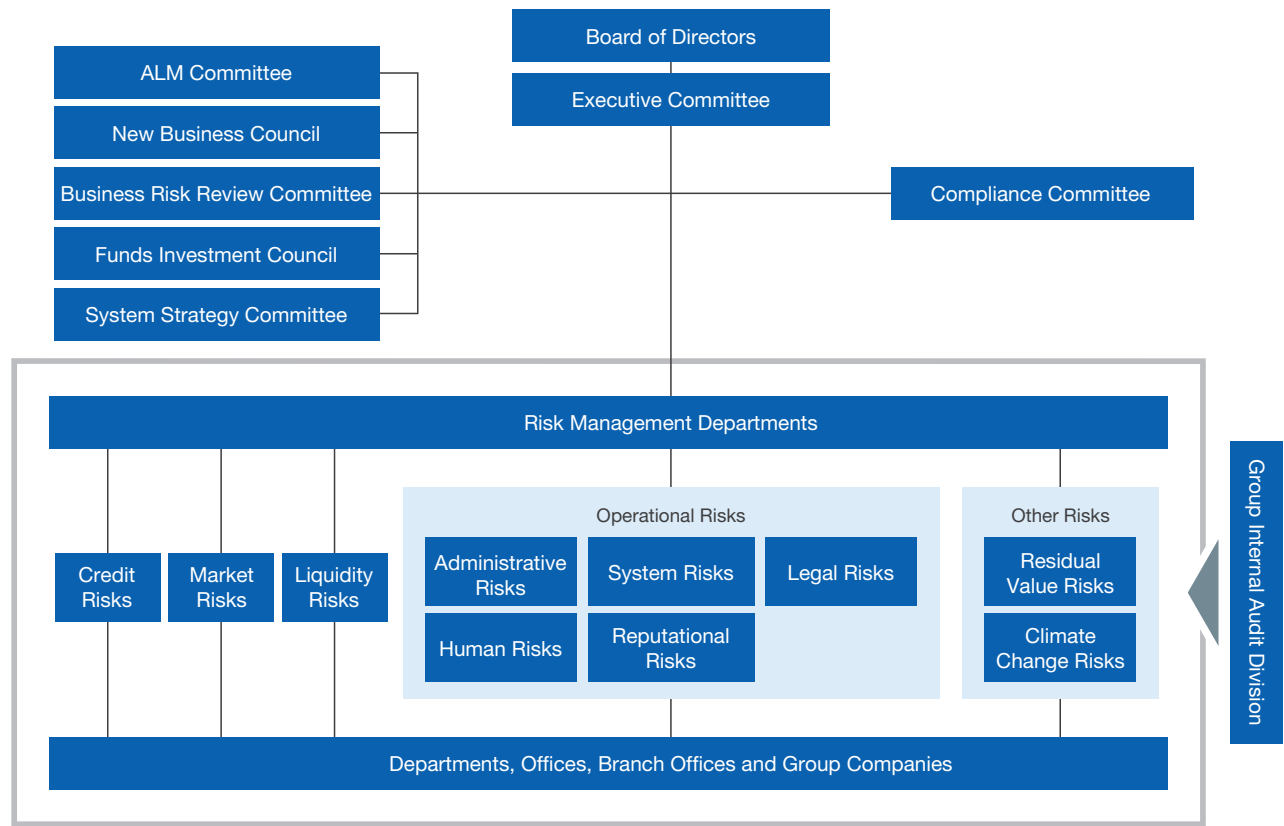
* Average score on an awareness survey targeting 13 domestic Group companies (2,808 people), based on a five-point scale

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's 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. The Group has introduced risk capital management as a primary method of integrated risk management. Based on the amount of shareholders' equity, we control risk by determining the allocation of risk capital for each risk category, taking into account the risk status of our existing portfolio and our latest business strategies.

Risk Management System



Integrated Risk Management Structure / Key Risk Categories and Management Methods

Risk category		Risk definition	Method of management
			Integrated risk management (risk capital allocation, quantitative assessments (VaR), scenario analysis, etc.)
Credit risks		Risk of incurring losses due to a decline in the value of assets (including off-balance-sheet assets) caused by the deterioration of credit counterparties' financial conditions	· Setting credit limits, debtor rating system · Portfolio management, credit VaR measurement, etc.
Market risks		Risk of incurring losses due to fluctuations in the value of assets, liabilities, etc. caused by changes in market risk factors such as interest rates, exchange rates, stocks, bonds	· Setting hedge ratios, market VaR measurement, etc.
Liquidity risks		Risk of incurring losses due to being forced to secure funds at exceedingly high interest rates, or facing difficulty in securing the necessary funds	· Scenario analysis, setting risk response standards, etc.
Asset risks	Property price fluctuation risk	Risk of significant fluctuations in the value of owned assets, such as aircraft or real estate, due to economic downturns, interest rate fluctuations or changes in business conditions, and the risk that the sale prices of various leased assets may fluctuate and fall below their residual value	· Market monitoring, asset VaR measurement, etc.
	Residual value risks		
Investment and financing risk	Business risk	Risk of not achieving the expected returns and a decline in the recoverability of investment amounts due to stagnant performance by investees or partners, and the risk of impairment losses on goodwill or other assets associated with M&A activity	· Monitoring of business profit and loss, quantitative assessment of risk, etc.
	Goodwill impairment risk		
Operational risks	Administrative risks	Risk of incurring losses or damages in the course of business due to internal management issues or external factors, and the risk of incurring losses due to a deterioration in reputation	· Monitoring, loss data analysis, improvement of systems related to business execution, and management of risk capital, which involves first deducting a certain amount from the risk capital
	System risks		
	Legal risks		
	Human risks		
Reputational risks			
Others	Risks related to the external environment	Climate change risks and risks due to natural disasters, etc.	· These risks may not always be captured by statistical risk measurement methods and are therefore managed through risk scenario analysis, various stress tests, and monitoring through qualitative assessments

/ 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

management as of the date that its annual securities report was submitted (June 25, 2024). 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 & Logistics 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	Climate change risks
Risks related to promoting digital transformation (DX)	

* 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 countermeasures 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 2023, we conducted training on information security for 1st year generalist track employees.

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 the continuity of our operations in accordance with the BCP Fundamental Principle and the Emergency Preparedness Regulations. We conduct regular drills to minimize damage and ensure business continuity. Following the relocation of our headquarters, we standardized disaster stockpiles across all Group companies and identified the highest priority business operations for continuity within our

Group companies. Additionally, we have also built a Group-wide collaboration system for disaster response, which includes a liaison meeting held four times a year to share information with the persons in charge of disaster prevention at our Group companies. In response to the spread of COVID-19, the Group established the COVID-19 Emergency Response Task Force under the direction of the President in April 2020. We ensured that all employees and directors understood and adhered to infection prevention measures, such as mobile working, working from home, flexible working hours, and reducing overtime, while also reporting to the Board of Directors and the Executive Committee on any impacts on business performance. 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. Based on these experiences, since fiscal 2023, we have been reviewing and improving measures based on specific disaster scenarios, such as a major earthquake directly beneath the Tokyo metropolitan area or a Nankai Trough earthquake, and working to strengthen collaboration among our Group companies, aiming to improve our Business Continuity Plan (BCP) to be more practical. Specifically, these include ensuring communication means during a major disaster; detailing procedures for setting up an Emergency Response Task Force; creating a Q&A to guide employee actions in the event of a major disaster; securing power supplies and emergency stockpiles; and enhancing the quality of BCP drills across the entire Group.

About Us	Shared Value Story	Strategy & Action	Foundation for Shared Value Story	Corporate Governance	Financial Section & Corporate Data
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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 whistleblowing 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, 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 2023, 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

2 Respect for Human Rights

3 Commitment to Environmental Issues

4 Fair Business Activities

5 Risk Management

6 Management of Information Assets and Respect for Intellectual Property Rights

7 Appropriate Disclosure of Information

8 Avoidance of Relations with Anti-Social Forces

9 Political Involvement; Government Relations

Note: Descriptions of each item can be found on the Group's website.



/ 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, and presidents of Group companies.

Compliance Training (FY2023)		
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)	Information security, harassment prevention and insider trading regulations	1
Newly appointed heads of departments/branch offices	Required compliance understanding of managers	1
Newly appointed assistant managers/section chiefs	Prevention of power harassment, whistleblowing system	2
All employees (including contract and dispatch employees and part-time workers)	Latent social media risks, care in handling personal information	1
Directors and heads of departments/offices/branch offices	Personal information protection and trade secrets	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

/ Whistleblowing Hotline

The Fuyo Lease Group operates whistleblowing 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 whistleblowing 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 2023, 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.

65

Fuyo Lease Group Integrated Report 2024 66

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.

Independent practitioner’s assurance report

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

Scope

We have been engaged by Fuyo General Lease Co., Ltd. (hereafter the “Company”) to perform a ‘limited assurance engagement,’ as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on the Company’s Key Environmental and Social Indicators (hereafter the “Indicators”) of the Company and its major subsidiaries for the period from April 1, 2023 to March 31, 2024 as included in the Company’s “the Fuyo Lease Group’s Integrated Report 2024” (hereafter the “Report”). The scope of our assurance procedures was limited to the indicators marked with the symbol “✓” in the Report.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by the Company

In preparing the Indicators, the Company applied the criteria, that it determined with consideration of Japanese environmental regulations as presented in the Company’s Report (hereafter the “Criteria”).

The Company’s responsibilities

The Company’s management is responsible for selecting the Criteria, and for presenting the Indicators in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Indicators, such that it is free from material misstatement, whether due to fraud or error. Greenhouse gas (GHG) emissions are estimated using emissions factors, and the scientific knowledge on which such emission factors are based has not been established. GHG quantification is subject to inherent uncertainty.

EY’s responsibilities

Our responsibility is to express a conclusion on the presentation of the Indicators based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (“ISAE 3000 (Revised)”) and the International Standard on Assurance Engagements: Assurance Engagements on Greenhouse Gas Statements (“ISAE 3410”), issued

by the International Auditing and Assurance Standards Board, and the terms of reference for this engagement as agreed with the Company on June 13, 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Indicators in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Indicators and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Making enquiries regarding the Criteria, and evaluating the appropriateness thereof;
- Inspecting relevant documents with regard to the design of the Company’s internal controls related to the Indicators, and enquiring of personnel responsible thereof;
- Performing analytical procedures concerning the Indicators; and
- Testing, on a sample basis, underlying source information, matching indicators with the evidence and conducting relevant re-calculations.

Independent Assurance Report

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion
Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Indicators for the period from April 1, 2023 to March 31, 2024 in order for it to be in accordance with the Criteria.

Takefumi Kawasaki
Yuji Ozawa
Engagement Partners
July 26, 2024
Ernst & Young ShinNihon LLC
Tokyo, Japan

Financial Section

Financial and Non-Financial Data (10 years)	P.71
Consolidated Financial Statements	
Consolidated Balance Sheets	P.73
Consolidated Statements of Income and Statements of Comprehensive Income	P.75
Consolidated Statements of Changes in Equity	P.77
Consolidated Statements of Cash Flows	P.80
Notes to Consolidated Financial Statements	P.82
Independent Auditor's Report	P.131

The consolidated financial statements on page 73 to page 130 and the independent auditor's report on the financial statements on page 131 to page 136 were first published on the Company's website on September 12, 2024 and are republished in this document.

Financial and Non-Financial Data (10 years)

Financial Data (consolidated)

	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Net sales (billions of yen)	472.3	493.8	507.2	590.3	618.1	712.3	740.3	657.8	688.7	708.5
Cost of sales (billions of yen)	423.7	442.6	451.9	529.8	551.4	636.0	657.5	569.0	591.3	599.0
Gross profit (billions of yen)	48.6	51.2	55.3	60.5	66.7	76.3	82.7	88.9	97.3	109.6
Selling, general and administrative expenses (billions of yen)	24.0	26.7	26.5	27.8	31.0	34.9	38.2	42.8	45.8	49.5
Operating profit (billions of yen)	24.6	24.5	28.8	32.7	35.7	41.4	44.6	46.0	51.6	60.0
Ordinary profit (billions of yen)	26.5	29.2	31.4	35.2	39.1	44.0	48.0	52.7	59.7	68.4
Profit attributable to owners of parent (billions of yen)	14.2	17.5	20.0	21.9	25.5	26.2	29.6	33.9	38.9	47.2
Total assets (billions of yen)	1,986.8	2,113.1	2,300.1	2,430.5	2,593.0	2,752.6	2,979.3	2,949.7	3,151.6	3,390.3
Operating assets (billions of yen)	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	2,877.4
Interest-bearing debt (billions of yen)	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	2,688.6
Net assets (billions of yen)	222.5	232.5	259.2	282.6	295.0	311.8	344.8	374.2	410.2	477.3
Equity ratio (%)	10.1	9.9	9.9	10.2	10.1	10.0	10.2	11.3	11.6	12.7
Executed contract volume (billions of yen)	666.9	703.8	834.2	1,105.1	1,187.2	1,359.7	1,343.9	1,384.4	1,530.8	1,742.8
ROA (Ratio of ordinary profit to operating assets) (%)	1.59	1.62	1.60	1.67	1.76	1.90	1.94	2.06	2.27	2.45
OHR (%)	48.7	51.2	47.1	45.2	45.3	44.0	43.9	44.8	45.3	44.1
Cash flows from operating activities (billions of yen)	(165.4)	(151.5)	(154.3)	(104.4)	(80.0)	(108.8)	(35.1)	89.0	(24.1)	(112.1)
Cash flows from investing activities (billions of yen)	(1.1)	(1.2)	(4.6)	(5.7)	(9.4)	(11.2)	(6.0)	(15.7)	(12.4)	(3.1)
Cash flows from financing activities (billions of yen)	147.3	150.3	157.7	113.5	105.5	127.8	63.4	(101.5)	84.0	131.8
Cash and cash equivalents at end of period (billions of yen)	54.0	51.4	50.6	54.1	69.9	77.4	98.8	72.0	121.2	140.7
Basic earnings per share (yen)	470.14	579.17	661.80	726.41	844.69	871.95	986.18	1,130.52	1,299.27	1,571.44
Dividends per share (yen)	80	100	130	146	188	205	240	285	343	440

Non-Financial Data (consolidated)

	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
CO ₂ emissions (Scope1,2) (t-CO ₂)*1	1,269	1,199	1,253	2,043	1,904	1,971	2,016	1,455	1,715	899
Scope1 (t-CO ₂)*1	159	153	163	770	707	688	603	584	558	532
Scope2 (t-CO ₂)*1	1,110	1,045	1,089	1,273	1,197	1,283	1,414	872	1,157	367
CO ₂ emission intensity (Scope1,2) (t-CO ₂ / 100 millions of yen)	0.33	0.30	0.32	0.36	0.36	0.29	0.28	0.22	0.25	0.13
Green energy supply*2 (Output) (MW)	58	86	86	111	149	229	283	318	515	705
Number of employees (Employees)	1,542	1,559	1,703	1,715	1,960	2,416	2,637	3,189	3,437	3,503
Retention rate of employees after 3 years*3 (non-consolidated) (%)	94.7	100	85.7	100	94.3	89.7	88.9	94.7	—	—
Number of employees (non-consolidated) (Employees)	669	670	689	689	704	715	759	798	816	830
Turnover rate*4 (non-consolidated) (%)	1.1	0.8	1.0	1.9	1.9	1.8	1.7	1.9	2.2	3.2
Number of female employees in management positions*5 (non-consolidated) (Employees)	25	27	29	32	36	79*6	113	130	141	148
Percentage of female employees in management positions*5 (non-consolidated) (%)	8.1	9.0	9.1	9.9	11.5	21.1*6	27.5	29.5	30.9	32.2
Employment rate of the disabled*5 (non-consolidated) (%)	2.0	1.8	2.2	2.3	2.3	2.1	2.4	2.2	2.3	2.5
Rate of taking annual paid leave*5 (non-consolidated) (%)	58.5	61.9	68.9	68.0	68.4	66.3*7	72.0	82.3	93.5	93.3

*1 Covers Fuyo General Lease and consolidated subsidiaries (To see all companies covered, please refer to *3 on p.48) For calculation methods, please refer to *2 and *4 on p.48.
*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 (new graduate hires) who joined the Company in the applicable fiscal year and remain employed as of April three years thereafter.
*4 Applies to key career track, managerial career track and operations staff employees. Calculation of the turnover rate includes voluntary resignations, mandatory retirement, and other reasons for leaving (e.g., transfers). It does not include employees who have been re-employed on a contractual basis leaving at the end of their contracts.

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

The accompanying notes are an integral part of these statements.

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

The accompanying notes are an integral part of these statements.

Consolidated statements of comprehensive income

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Equity

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

(Millions of yen)

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

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥ 36,000	¥ (4,608)	¥ 17,936	¥ 163	¥ 49,492	¥ 541	¥ 43,012	¥ 410,197
Changes during period								
Dividends of surplus								(11,464)
Profit attributable to owners of parent								47,219
Purchase of treasury shares								(0)
Disposal of treasury shares								267
Purchase of shares of consolidated subsidiaries								–
Net changes in items other than shareholders' equity	25,772	(7,345)	10,331	251	29,011	(252)	2,349	31,107
Total changes during period	25,772	(7,345)	10,331	251	29,011	(252)	2,349	67,129
Balance at end of period	¥ 61,773	¥ (11,953)	¥ 28,268	¥ 415	¥ 78,504	¥ 289	¥ 45,362	¥ 477,326

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

(Millions of yen)

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

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥ 38,547	¥ (3,932)	¥ 5,509	¥ (0)	¥ 40,124	¥ 650	¥ 40,754	¥ 374,239
Changes during period								
Dividends of surplus								(9,425)
Profit attributable to owners of parent								38,939
Purchase of treasury shares								–
Disposal of treasury shares								302
Purchase of shares of consolidated subsidiaries								(5,376)
Net changes in items other than shareholders' equity	(2,546)	(675)	12,426	163	9,368	(108)	2,258	11,517
Total changes during period	(2,546)	(675)	12,426	163	9,368	(108)	2,258	35,957
Balance at end of period	¥ 36,000	¥ (4,608)	¥ 17,936	¥ 163	¥ 49,492	¥ 541	¥ 43,012	¥ 410,197

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

	(Thousands of U.S. dollars) (Note I)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$ 69,565	\$ 12,569	\$ 2,026,302	\$ (13,655)	\$ 2,094,781
Changes during period					
Dividends of surplus			(75,724)		(75,724)
Profit attributable to owners of parent			311,884		311,884
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares			(1,773)	3,542	1,769
Purchase of shares of consolidated subsidiaries					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	234,387	3,536	237,923
Balance at end of period	\$ 69,565	\$ 12,569	\$ 2,260,689	\$ (10,119)	\$ 2,332,704

	(Thousands of U.S. dollars) (Note I)							
	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	\$ 237,786	\$ (30,436)	\$ 118,473	\$ 1,079	\$ 326,901	\$ 3,579	\$ 284,101	\$ 2,709,362
Changes during period								
Dividends of surplus								(75,724)
Profit attributable to owners of parent								311,884
Purchase of treasury shares								(6)
Disposal of treasury shares								1,769
Purchase of shares of consolidated subsidiaries								–
Net changes in items other than shareholders' equity	170,227	(48,514)	68,243	1,664	191,620	(1,670)	15,518	205,469
Total changes during period	170,227	(48,514)	68,243	1,664	191,620	(1,670)	15,518	443,391
Balance at end of period	\$ 408,013	\$ (78,950)	\$ 186,715	\$ 2,743	\$ 518,521	\$ 1,909	\$ 299,620	\$ 3,152,754

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Notes	Millions of yen		Thousands of U.S. dollars (Note I)
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Cash flows from operating activities			
Profit before income taxes	¥ 66,848	¥ 58,029	\$ 441,536
Depreciation of assets for lease	45,382	40,595	299,752
Loss on retirement of assets for lease and cost of property for lease sales	184,363	90,840	1,217,728
Depreciation of other operating assets	3,245	2,559	21,437
Depreciation	3,414	2,739	22,550
Amortization of goodwill	1,810	1,619	11,960
Impairment losses	2,079	0	13,737
Increase (decrease) in allowance for doubtful accounts	(699)	(601)	(4,619)
Increase (decrease) in provision for bonuses and bonuses for directors (and other officers)	269	167	1,780
Increase (decrease) in provision for future lease payments	2	0	15
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(124)	207	(821)
Increase (decrease) in provision for share awards for directors (and other officers)	213	12	1,410
Increase (decrease) in provision for maintenance costs	617	(162)	4,080
Increase (decrease) in provision for loss on guarantees	(86)	(81)	(568)
Increase (decrease) in retirement benefit liability	(587)	405	(3,880)
Loss (gain) on valuation of short-term and long-term investment securities	84	256	558
Interest and dividend income	(3,184)	(2,435)	(21,036)
Capital costs and interest expenses	20,824	11,965	137,548
Loss (gain) on investments in investment partnerships and silent partnerships	15	(152)	102
Share of loss (profit) of entities accounted for using equity method	(6,660)	(6,028)	(43,990)
Loss (gain) on sale of short-term and long-term investment securities	(690)	(64)	(4,559)
Loss on liquidation of subsidiaries and associates	–	1,349	–
Loss (gain) on disposal of non-current assets	33	41	219
Decrease (increase) in installment receivables	2,903	13,291	19,181
Net decrease (increase) in lease receivables and investments in leases	30,686	136,887	202,682
Decrease (increase) in accounts receivable - lease	(1,956)	1,892	(12,920)
Decrease (increase) in operating loans	(7,075)	(6,633)	(46,731)
Decrease (increase) in accounts receivable - other loans to customers	(13,409)	(4,030)	(88,571)
Decrease (increase) in operational investment securities	(36,028)	(131,708)	(237,966)
Purchase of assets for lease	(356,077)	(216,032)	(2,351,902)
Purchase of other operating assets	(1,601)	(6,244)	(10,581)
Decrease (increase) in retirement benefit asset	(1,653)	(434)	(10,919)
Decrease (increase) in distressed receivables	413	100	2,731
Decrease (increase) in guarantee deposits	(1,048)	(1,223)	(6,927)
Increase (decrease) in trade payables	2,550	(1,770)	16,848
Increase (decrease) in lease liabilities	(634)	(3,194)	(4,189)
Increase (decrease) in guarantee deposits received	(944)	2,021	(6,240)
Other, net	(11,433)	16,507	(75,517)
Subtotal	(78,134)	695	(516,080)
Interest and dividends received	6,546	3,510	43,238
Interest paid	(20,595)	(11,382)	(136,032)
Income taxes refund (paid)	(19,915)	(16,972)	(131,540)
Net cash provided by (used in) operating activities	(112,098)	(24,149)	(740,414)

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

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

I. Basis of presentation

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

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

Japanese yen amounts, which are indicated in millions of yen, are rounded down by truncating the figures below one million. As a result, the totals do not necessarily agree with the sum of the individual amounts. The amounts in US dollars presented in the consolidated financial statements are translated from the amounts in Japanese yen at the exchange rate of ¥151.40 to US\$1.00, in effect at March 31, 2024, solely for the convenience of overseas readers. Therefore, this does not imply that those amounts in yen can be converted into equivalent amounts in US dollars at this or any other exchange rate.

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 66 companies

Names of significant consolidated subsidiaries:

Fuyo Auto Lease Co., Ltd.
YAMATO LEASE CO., LTD.
Sharp Finance Corporation
Accretive Co., Ltd.
INVOICE INC.
FGLGROUP Business ServiceCO., Ltd.
FGL GROUP Management Service Co., Ltd.
FGL LeaseUp Business Service Co., Ltd.
Fuyo General Lease (USA) Inc.
Fuyo General Lease (HK) Limited
Fuyo General Lease (Asia) Pte. Ltd.
Fuyo General Lease (China) Co., Ltd.
FGL Aircraft Ireland Limited

(2) Non-consolidated subsidiaries

Reason for exclusion from the scope of consolidation

Among the non-consolidated subsidiaries, 158 companies including FK Ignicion Leasing Ltd. are mainly business operators, etc. of leasing businesses conducted through silent partnerships. Their assets and gains or losses are effectively not attributable to such subsidiaries or are immaterial, so they have been excluded from the scope of consolidation pursuant to Article 5, paragraph (1), item (ii) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(3) Special purpose entities subject to disclosure

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

2. Application of equity method

(1) Number of associates under the equity method: 16 associates

Names of significant associates:

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

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

Reason the equity method was not applied to the companies

Among the non-consolidated subsidiaries, 158 companies including FK Ignicion Leasing Ltd. are mainly business operators, etc. of leasing businesses conducted through silent partnerships. Their assets and gains or losses are effectively not attributable to such subsidiaries or are immaterial, so they are excluded from the scope of being accounted for using the equity method. Investments in these companies are valued at cost.

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

3. Fiscal year ends of consolidated subsidiaries

Among the consolidated subsidiaries, 25 overseas consolidated subsidiaries including Fuyo General Lease (USA) Inc. have balance sheet dates of December 31, while 13 domestic consolidated subsidiaries including General Incorporated Association C・C・S Holding have balance sheet dates of January 31. Financial statements of the respective subsidiaries as of the respective closing dates, with necessary adjustments with regard to material activities transactions during the periods up to the consolidated balance sheet date, have been reflected in the consolidation.

The financial statements of F.O. Aerial Leasing Ltd. and four other companies are based on the provisional settlement of accounts conducted as of the consolidated balance sheet date.

The closing date of other consolidated subsidiaries is the same as the consolidated balance sheet date.

4. Summary of significant accounting policies

(1) Standard and method of valuation of significant assets

1) Securities

Other securities

Securities other than shares without a market price, etc.

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

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

Shares without a market price, etc.

Stated at cost determined by the moving-average method

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

2) Derivative financial instruments

Fair value method

(2) Depreciation and amortization

1) Assets for lease

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

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

2) Other operating assets

Straight-line method

3) Own-used assets

Declining balance method

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

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

Buildings	3 to 50 years
Equipment	2 to 20 years

4) Other intangible assets

Straight-line method

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

(3) Accounting method for deferred assets

1) Organization expenses

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

2) Business commencement expenses

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

3) Bond issuance costs

Bond issuance costs are expensed upon payment.

(4) Accounting policy for significant allowances and provisions

1) Allowance for doubtful accounts

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

With respect to the bankruptcy claims, etc., an estimated uncollectible amount is calculated by directly deducting amounts expected to be recovered from the amount of claims. The direct deduction totaled ¥7,744 million (U.S.\$51,152 thousand) in the fiscal year ended March 31, 2024 and ¥7,314 million in the fiscal year ended March 31, 2023.

About Us	Shared Value Story	Strategy & Action	Foundation for Shared Value Story	Corporate Governance	Financial Section & Corporate Date
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2) Provision for bonuses

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

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

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

4) Provision for future lease payments

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

5) Provision for loss on guarantees

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

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

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

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

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

8) Provision for maintenance costs

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

(5) Retirement benefits

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

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

2) Actuarial differences and prior service cost

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

With respect to actuarial differences, the Company expenses the entire amount of them in the fiscal year of occurrence, but three of the Company's domestic consolidated subsidiaries amortize them by the straight-line method over a period (5 to 12 years) within the average remaining service years for employees at the time of recognition, starting from the fiscal year following the fiscal year of occurrence.

3) Unrecognized actuarial differences and unrecognized prior service cost

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

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

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

(6) Recognition of significant revenues and expenses

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

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

2) Accounting policy for revenue from operating leases

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

3) Accounting policy for revenue from sale of leased properties

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

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

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

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

(8) Significant hedge accounting methods

1) Hedge accounting

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

2) Hedging instruments and hedged items

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

3) Hedging policies

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

4) Assessing hedge effectiveness

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

With regard to risks associated with foreign currency fluctuations, when the principal terms for the hedged items and hedging instruments are substantially the same, the hedge relationship is considered highly effective.

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

(9) Amortization method and period of goodwill

Apart from immaterial amounts, goodwill is amortized by the straight-line method over a period not exceeding 20 years from the effective date.

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

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

(11) Other important matters for preparing consolidated financial statements

- 1) Operating loans and accounts receivable - other loans to customers
- Operating loans and accounts receivable - other loans to customers include loans, discounted notes and purchased receivables to earn financial income.
- This financial income is in net sales on the consolidated statement of income.
- 2) Operational investment securities
- Operational investment securities are held for operational purpose to earn financial income.
- This financial income (interest, redemption difference) is recorded in net sales on the consolidated statement of income.

II. Significant accounting estimates

Of the accounting estimates made in preparing the consolidated financial statements for the fiscal year ended March 31, 2024, the items that may have a significant impact on the consolidated financial statements for the following fiscal year are “Assets for lease (property, plant and equipment).”

(1) Amount recorded in the consolidated financial statements

FY2023: ¥936,038 million (U.S.\$6,182,553 thousand)
FY2022: ¥797,218 million

(2) Information regarding significant accounting estimates for identified items

1) Method of calculation of amounts

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

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

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

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

2) Main assumptions used to calculate the amounts

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

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

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

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

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

III. New accounting standards and implementation guidances not yet applied

Accounting Standard for Current Income Taxes and related implementation guidances

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

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

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

(1) Overview

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

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

(2) Scheduled date of adoption

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

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

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

IV. Additional information

Board Benefit Trust (BBT) Plan

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

(1) Overview of the transaction

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

(2) Treasury shares remaining in trust

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

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

Not applicable

V. Notes for consolidated balance sheets

*1 Accumulated depreciation for property, plant and equipment

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

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

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

*3 Assets pledged as collateral and liabilities secured by collateral

(1) Assets pledged as collateral

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

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

(2) Liabilities secured by collateral

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

*4 Loan commitments in lending operations (as lender)

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

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

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

*5 Overdraft agreements and loan commitments (as borrower)

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

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

*6 Contingent liabilities

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

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

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

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

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

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

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

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

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

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

Note that the balance of lease agreement receivables, etc. transferred through this was ¥17,505 million (U.S.\$115,626 thousand) as of March 31, 2024 and ¥51,584 million as of March 31, 2023.

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

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

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

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

VI. Notes for consolidated statements of income

*1 Revenue from contracts with customers

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

*2 Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2024 and 2023, were as follows:

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

*3 Impairment losses

The Group recorded impairment losses for the following asset groups:

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

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

The above transportation equipment (aircraft) is grouped individually.

The expected future cash flows have declined for the overseas consolidated subsidiary FGL Aircraft Ireland Limited, so the book value of the assets for lease whose profitability has declined is written down to the recoverable amount, and the impairment loss is stated as cost of sales. Further, the recoverable amount is calculated from the value in use, and the discount rate is between 6.00% and 6.16%.

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

Owing to a decrease in demand for online events in the video streaming service of the domestic consolidated subsidiary, Human Centrix Co., Ltd., there are no longer expectations for revenue anticipated at the time of acquisition of its shares, so the book value is written down to the recoverable amount, and the impairment loss is stated as extraordinary losses. Further, the recoverable amount is calculated from the value in use based on revised future cash flow, taking into account changes in the environment. The discount rate is 11.1%.

The above software is grouped based on offices, etc.

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

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

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

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

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

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

Loss on retirement of non-current assets

	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Buildings	¥ 24	¥ 27	\$ 160
Equipment	2	5	18
Software	6	7	41
Total	¥ 33	¥ 41	\$ 219

*5 Loss on liquidation of subsidiaries and associates

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

Not applicable

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

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

VII. Notes for consolidated statements of comprehensive income

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

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

VIII. Notes for consolidated statements of changes in equity

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

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

	Number of shares at the beginning of the year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the year (Shares)
Issued shares				
Common shares	30,287,810	–	–	30,287,810
Total	30,287,810	–	–	30,287,810
Treasury shares				
Common shares (Note)	303,657	80	81,800	221,937
Total	303,657	80	81,800	221,937

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

2. Share acquisition rights and treasury shares acquisition rights

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

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 23, 2023 Annual General Meeting of Shareholders	Common shares	¥ 5,574	¥ 185	March 31, 2023	June 26, 2023
November 8, 2023 Board of Directors	Common shares	5,889	195	September 30, 2023	December 7, 2023

Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 23, 2023, include cash dividends of ¥27 million for the Company's shares held by Board Benefit Trust (BBT).
2. Total amount of cash dividends which resolved at Board of Directors held on November 8, 2023, include cash dividends of ¥28 million for the Company's shares held by Board Benefit Trust (BBT).

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

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 21, 2024 Annual General Meeting of Shareholders	Common shares	¥ 7,402	Retained earnings	¥ 245	March 31, 2024	June 24, 2024

(Resolution)	Type of shares	Total amount of cash dividends (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 21, 2024 Annual General Meeting of Shareholders	Common shares	\$ 48,893	Retained earnings	\$ 1.62	March 31, 2024	June 24, 2024

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

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

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

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

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

2. Share acquisition rights and treasury shares acquisition rights

Category	Component of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (Shares)				Balance at the end of the year (Millions of yen)
			Beginning of the year	Increase	Decrease	End of the year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	¥ 541

3. Dividends

(1) Dividends paid

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

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

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

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

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

IX. Notes for consolidated statements of cash flows

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

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

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

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

Not applicable

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

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

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

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

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

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

X. Lease transactions

As lessee

Operating leases

Future lease payments required under non-cancellable operating leases

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

As lessor

1. Finance leases

(1) Breakdown of investments in leases

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

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

	As of March 31, 2024					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	¥ 49,453	¥ 31,968	¥ 40,670	¥ 19,105	¥ 14,574	¥ 23,529
Investments in leases	248,362	155,403	133,639	75,708	49,121	107,089

	As of March 31, 2024					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	\$ 326,642	\$ 211,155	\$ 268,632	\$ 126,191	\$ 96,263	\$ 155,415
Investments in leases	1,640,438	1,026,446	882,694	500,054	324,449	707,331

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

2. Operating leases

Future lease payments required under non-cancellable operating leases

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

3. Sublease transactions

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

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

XI. Financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

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

The Company uses foreign currency-related derivatives to reduce risks associated with foreign currency fluctuations that affect foreign currency-denominated receivables and payables. The Company uses interest rate-related derivatives to reduce interest rate fluctuation risks that affect borrowings. Also, as part of funding, the Company uses credit risk-related derivatives.

(2) Details of financial instruments and associated risks

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

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

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

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

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

(3) Risk management system for financial instruments

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

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

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

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

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

About Us	Shared Value Story	Strategy & Action	Foundation for Shared Value Story	Corporate Governance	Financial Section & Corporate Date
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2) Management of market risks (fluctuation risks associated with foreign exchange rates, interest rates, etc.)

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

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

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

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

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

(ii) Foreign exchange risk management
For foreign exchange risks, the Company procures foreign currency-denominated liabilities corresponding to foreign currency-denominated assets and hedges risks by using foreign currency-related derivatives.

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

(iv) Derivatives
With regard to derivatives, the Company uses currency swaps, etc. for the purpose of hedging risks associated with foreign currency fluctuations that affect its foreign currency-denominated receivables and payables, etc. The Company uses interest rate swap contracts for the purpose of hedging interest rate fluctuation risks that affect its borrowings.
The Company's finance division is authorized to engage in and manage derivatives, in accordance with internal regulations and individuals authorized on job responsibilities and pursuant to the approval of the Company's president (CEO) or officer in charge of the finance division. The Company's consolidated subsidiaries' derivative-related transactions are subject to the Company's internal regulations "Basic Policy for Managing Market and Liquidity Risks." In accordance with the Company's "Regulations on Managing Subsidiaries and Associates," the Company's consolidated subsidiaries report to the Company on derivative-related transactions. These reports explain the subsidiary's policy on engaging in the transaction, provide a validation of the transaction's objective, and detail the derivatives' status, counterparties, outstanding positions, and unrealized gains or losses.

(v) Quantitative information on market risk
The major types of financial instruments affected by interest rate risk, the Group's main risk factors, are "Installment receivables," "Lease receivables and investments in leases," "Operating loans," other marketable securities recorded under "Operational investment securities and investment securities," "Bonds payable," "Long-term borrowings," "Long-term payables under securitization of lease receivables," and interest rate swaps contracts included in "Derivatives." The Group performs quantitative analysis in managing the risk of interest rate fluctuations. This quantitative analysis incorporates the potential change in value of these financial assets and liabilities based on a reasonable range of potential interest rate movements. To calculate the potential change in value, the financial assets and liabilities are split into fixed-rate and variable-rate categories. For the fixed-rate category, the Company allocates the book value of the instruments into appropriate categories based on their interest-payment dates and applies an appropriate potential range of interest rate movements to each category. Assuming all risk factors other than interest rates remain constant, as of the fiscal year-end, a 10 basis point (0.1%) change in interest rates would result in a change of ¥3,978 million (U.S.\$26,278 thousand) for the fiscal year ended March 31, 2024 and a change of ¥4,030 million for the fiscal year ended March 31, 2023 in the fair value of these financial assets and liabilities. This potential change in value is based on the assumption that all risk factors other than interest rates remain constant and does not incorporate the effects of correlation between interest rates and the other risk factors. If interest rates fluctuate beyond the assumed reasonable range, the value of these financial assets and liabilities may be affected by more than the Group has estimated.

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

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

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

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

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

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

Because calculations of fair values of financial instruments involve variable inputs, the results of calculations may vary depending on what premises and assumptions are used. Contract amounts and other derivatives data presented in "Derivatives" are nominal contract amounts or notional amounts used in calculations and do not indicate the amount of exposure.

2. Fair values, etc. of financial instruments

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

As of March 31, 2024

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

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

*1. Net of deferred profit on installment sales.
*2. Net of general and specific allowances for doubtful accounts related to installment receivables, lease receivables and investments in leases, and operating loans.
*3. Operational investment securities include investment trusts that have applied the treatment of regarding the net asset value per unit as the fair value in paragraph 24-3 and paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).
*4. Assets and liabilities arising from derivatives are carried at net amounts with amounts in parentheses representing a net liability position.

As of March 31, 2023

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

*1. Net of deferred profit on installment sales.
*2. Net of general and specific allowances for doubtful accounts related to installment receivables, lease receivables and investments in leases, and operating loans.
*3. Operational investment securities include investment trusts that have applied the treatment of regarding the net asset value per unit as the fair value in paragraph 24-3 and paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).
*4. Assets and liabilities arising from derivatives are carried at net amounts with amounts in parentheses representing a net liability position.

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

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

*1. This equates to shares without a market price, etc., and is not subject to fair value disclosure in accordance with paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).
*2. Investments in partnerships, etc. is not subject to fair value disclosure based on paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

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

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

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

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

(1) Financial assets and financial liabilities recorded on the consolidated balance sheet at fair value
As of March 31, 2024

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

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

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

As of March 31, 2023

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

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

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

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

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

As of March 31, 2023

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

Notes:

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

Operational investment securities and investment securities

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

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

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

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

Installment receivables

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

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

Lease receivables and investments in leases

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

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

Operating loans

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

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

Lease liabilities

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

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

About Us	Shared Value Story	Strategy & Action	Foundation for Shared Value Story	Corporate Governance	Financial Section & Corporate Date
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Bonds payable (current portion included), Long-term borrowings (current portion included), Long-term payables under securitization of lease receivables (current portion included)

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

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

Derivatives

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

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

(1) Quantitative information concerning significant unobservable inputs

As of March 31, 2024

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

As of March 31, 2023

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

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

As of March 31, 2024

	Millions of yen													
	Beginning of year	Profit and loss or other comprehensive income for the period			Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period					
		Recorded in profit and loss	Recorded in other comprehensive income (*1)											
Operational investment securities														
Bonds payable	¥	8,609	¥	–	¥	950	¥	20,856	¥	–	¥	–	¥	–
Preferred securities, etc.		4,392		–		113		(140)		–		–		–
Total	¥	13,002	¥	–	¥	1,064	¥	20,715	¥	–	¥	–	¥	–

	Thousands of U.S. dollars									
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period		
		Recorded in profit and loss	Recorded in other comprehensive income (*1)							
Operational investment securities										
Bonds payable	\$ 56,865	\$ –	\$ 6,281	\$ 137,756	\$ –	\$ –	\$ 200,903	\$ –		
Preferred securities, etc.	29,014	–	750	(929)	–	–	28,834	–		
Total	\$ 85,879	\$ –	\$ 7,031	\$ 136,827	\$ –	\$ –	\$ 229,737	\$ –		

*1. Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.
*2. There were no transfers from Level 2 fair value to Level 3 fair value during the fiscal year. Note that in the case of a transfer, such transfer occurs on the final day of the accounting period.
*3. There were no transfers from Level 3 fair value to Level 2 fair value during the fiscal year. Note that in the case of a transfer, such transfer occurs on the final day of the accounting period.

As of March 31, 2023

	Millions of yen															
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period								
		Recorded in profit and loss	Recorded in other comprehensive income (*1)													
Operational investment securities																
Bonds payable	¥	5,836	¥	–	¥	(127)	¥	2,900	¥	–	¥	–	¥	8,609	¥	–
Preferred securities, etc.		5,597		–		246		(1,451)		–		–		4,392		–
Total	¥	11,434	¥	–	¥	119	¥	1,448	¥	–	¥	–	¥	13,002	¥	–

*1. Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.
*2. There were no transfers from Level 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. There were no transfers from Level 3 fair value to Level 2 fair value during the fiscal year. Note that in the case of a transfer, such transfer occurs on the final day of the accounting period.

(3) Explanation of the fair value valuation process

The Group defines policies and procedures concerning the calculation of fair value in its accounting division and calculates fair value in that division in line with such policies and procedures. The calculated fair value is verified at the accounting division or the standalone finance division on the validity of the evaluation technique and inputs used in calculating fair value and the appropriateness of the categorization of fair value level.
When calculating fair value, a valuation model that can most appropriately reflect the nature, special characteristics and risk of the individual assets is applied. In addition, if using a market price obtained from a third-party, the evaluation technique and inputs used are confirmed and the validity of the price is verified by appropriate methods such as monthly trends analysis.

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

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

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

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

As of March 31, 2024

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

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

*1. Included in "Cost of sales" on the consolidated statement of income.
*2. Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.

As of March 31, 2023

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

*1. Included in "Cost of sales" on the consolidated statement of income.
*2. Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statement of comprehensive income.

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

As of March 31, 2024

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

As of March 31, 2023

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

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

As of March 31, 2024

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

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

As of March 31, 2023

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

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

As of March 31, 2024

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

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

As of March 31, 2023

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

XII. Securities

1. Other securities

As of March 31, 2024

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

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

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

As of March 31, 2023

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

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

2. Other securities sold

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

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

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

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

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

3. Impairment losses on securities

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

The Company recognizes the impairment losses where the decline in the price at year end is greater than or equal to 50% of the acquisition cost. Where the decline in the price is between 30% and less than 50% of the acquisition cost, the Company may recognize impairment losses, taking into consideration the credit rating of the issuer, the materiality of the amount, the likelihood of the securities recovering in price, etc., as well as the analysis of the level of market price by looking at the gap between the book value and the highest and lowest price and other data during the fiscal years ended March 31, 2024 and 2023.

XIII. Derivatives

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency-related

As of March 31, 2024

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

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

As of March 31, 2023

Not applicable

(2) Interest rate-related

As of March 31, 2024

Not applicable

As of March 31, 2023

Not applicable

(3) Credit risk-related
As of March 31, 2024

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

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

As of March 31, 2023
Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related
As of March 31, 2024

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Currency swap contracts				
	Receive yen, pay U.S. dollars	Foreign currency-denominated securities	¥ 18,481	¥ –	¥ (38)
	Receive yen, pay euros	Foreign currency-denominated securities	16,937	–	72
	Receive yen, pay British pounds	Foreign currency-denominated securities	9,566	–	(5)
	Receive yen, pay Thai baht	Foreign currency-denominated securities	1,218	–	(6)
Total		¥ 46,203	¥ –	¥ 21	

Hedge accounting	Type of contracts	Hedged item	Thousands of U.S. dollars		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Currency swap contracts				
	Receive yen, pay U.S. dollars	Foreign currency-denominated securities	\$ 122,070	\$ –	\$ (257)
	Receive yen, pay euros	Foreign currency-denominated securities	111,870	–	476
	Receive yen, pay British pounds	Foreign currency-denominated securities	63,184	–	(39)
	Receive yen, pay Thai baht	Foreign currency-denominated securities	8,049	–	(41)
Total			\$ 305,173	\$ –	\$ 139

As of March 31, 2023

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

(2) Interest rate-related
As of March 31, 2024

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	¥ 37,854	¥ 26,242	¥ 319
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	15,071	10,570	(Note)
Total			¥ 52,925	¥ 36,812	¥ 319

Hedge accounting	Type of contracts	Hedged item	Thousands of U.S. dollars		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	\$ 250,027	\$ 173,331	\$ 2,109
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	99,545	69,815	(Note)
Total			\$ 349,572	\$ 243,146	\$ 2,109

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

As of March 31, 2023

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

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

XIV. Retirement benefits

1. Overview of the Group’s retirement benefits plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Breakdown of retirement benefit expenses

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

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

(5) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Actuarial gains or losses	¥ 263	¥ 257	\$ 1,738

(6) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2024	As of March 31, 2023	As of March 31, 2024
Unrecognized actuarial gains or losses	¥ (562)	¥ (299)	\$ (3,718)

(7) Plan assets

1) Breakdown of plan assets

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

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

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

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

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

(8) Basis for actuarial calculation

Major basis for actuarial calculation

	As of March 31, 2024	As of March 31, 2023
	%	%
Discount rate	0.10 - 1.00	0.10 - 1.00
Expected long-term rate of return	1.00 - 2.50	1.00 - 2.50
Expected increase in salary	1.28 - 3.69	1.28 - 3.75

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

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

	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
Retirement benefit liability at beginning of year	¥ 1,500	¥ 1,438	\$ 9,913
Retirement benefit expenses	197	233	1,303
Retirement benefits paid	(166)	(170)	(1,098)
Retirement benefit liability at end of year	¥ 1,531	¥ 1,500	\$ 10,118

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

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

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

(3) Retirement benefit expenses

Retirement benefit expenses calculated by simplified accounting method

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

FY2022 (April 1, 2022 - March 31, 2023): ¥233 million

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

4. Defined contribution plan

In the fiscal years ended March 31, 2024 and 2023 the amount required to be contributed by the Company and consolidated subsidiaries to the defined-contribution pension plan amounted to ¥211 million (U.S.\$1,394 thousand) and ¥198 million, respectively.

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

5. Multi-employer type of pension plan

In the fiscal years ended March 31, 2024 and 2023 the amount required to be contributed to the defined-benefit corporate pension fund plan (established by the Company and Group companies) of multi-employer type of pension plan amounted to ¥263 million (U.S.\$1,742 thousand) and ¥253 million, respectively. The contribution is accounted for in the same manner with a defined-contribution pension plan.

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

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

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

FY2023:14.614% (From April 1, 2023 to March 31, 2024)

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

(3) Supplementary explanation

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

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

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

XV. Stock options, etc.

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

Not applicable

2. Gains on expiration of unexercised stock options

Not applicable

3. Details, number and status of stock options

(1) Details of stock options

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

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

	Stock options for 2012	Stock options for 2013	Stock options for 2014
Class and number of grantees (Note 1)	Directors of the Company: 8 Executive officers of the Company: 16	Directors of the Company: 8 Executive officers of the Company: 18	Directors of the Company: 7 Executive officers of the Company: 18
Number and type of stock options (Note 2)	Common shares: 73,000 shares	Common shares: 42,000 shares	Common shares: 35,500 shares
Grant date	October 16, 2012	October 15, 2013	October 15, 2014
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 16, 2012 – October 15, 2042(Note 5)	October 15, 2013 – October 14, 2043(Note 5)	October 15, 2014 – October 14, 2044(Note 5)

	Stock options for 2015	Stock options for 2016	Stock options for 2017
Class and number of grantees (Note 1)	Directors of the Company: 7 Executive officers of the Company: 19	Directors of the Company: 7 Executive officers of the Company: 21	Directors of the Company: 6 Executive officers of the Company: 22
Number and type of stock options (Note 2)	Common shares: 28,600 shares	Common shares: 34,700 shares	Common shares: 22,200 shares
Grant date	October 15, 2015	October 14, 2016	October 16, 2017
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2015 – October 14, 2045(Note 5)	October 14, 2016 – October 13, 2046(Note 5)	October 16, 2017 – October 15, 2047(Note 5)

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

(2) Movement in stock options

The number of stock options that existed during the fiscal year ended March 31, 2024 is translated into the number of shares.

1) Number of stock options

	Stock options for 2009	Stock options for 2010	Stock options for 2011	Stock options for 2012	Stock options for 2013
Pre-vesting (shares)					
Previous fiscal year-end	–	–	–	–	–
Granted	–	–	–	–	–
Expired	–	–	–	–	–
Vested	–	–	–	–	–
Balance unvested	–	–	–	–	–
Post-vesting (shares)					
Previous fiscal year-end	6,800	12,100	16,200	22,100	12,600
Vested	–	–	–	–	–
Exercised	6,800	12,100	13,600	14,000	6,300
Expired	–	–	–	–	–
Balance unexercised	–	–	2,600	8,100	6,300

	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	19,200	17,000	22,700	18,100
Vested	–	–	–	–
Exercised	7,900	5,400	6,600	7,000
Expired	–	–	–	–
Balance unexercised	11,300	11,600	16,100	11,100

2) Unit price

	Stock options for 2009	Stock options for 2010	Stock options for 2011	Stock options for 2012	Stock options for 2013
	Yen	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price per share at exercise	9,522	9,699	9,706	9,951	9,541
Fair value at grant date	1,668	2,218	2,449	1,943	3,556

	Stock options for 2014	Stock options for 2015	Stock options for 2016	Stock options for 2017
	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
Average price per share at exercise	10,151	9,976	9,886	10,228
Fair value at grant date	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.

XVI. Tax effect accounting

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

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

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

	As of March 31, 2024	As of March 31, 2023
Statutory effective tax rate	30.6%	The note is omitted, because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.
(Adjustments)		
Non-deductible expenses such as entertainment expenses	0.1	
Non-taxable dividend income	(0.9)	
Local tax on per capita basis, etc.	0.1	
Share of loss (profit) of entities accounted for using equity method	(3.1)	
Foreign subsidiary's unitary tax	(2.1)	
Differences in applicable tax rates between parent and subsidiaries	(1.1)	
Amortization of goodwill	0.8	
Investment tax credits	0.2	
Other	1.1	
Effective tax rate after adoption of tax effect accounting	25.7	

XVII. Business combinations, etc.

Finalization of the provisional accounting treatment for business combinations

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

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

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

The amortization period of goodwill is 20 years.

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

XVIII. Asset retirement obligations

This information has been omitted because of immateriality.

XIX. Real estate leasing business

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

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

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

Notes: 1. The book value on the consolidated balance sheet is the amount after deduction of accumulated depreciation from acquisition cost.
2. The increase of book value is mainly attributable to the purchase of real estate of ¥235,714 million (U.S.\$1,556,897 thousand) and ¥200,716 million, in the fiscal years ended March 31, 2024 and 2023, respectively.
3. The fair value of properties is mainly estimated based on income approach in accordance with Real Estate Appraisal standards as of March 31, 2024. For other properties, the Company reasonably estimated the fair value based on income approach or market approach while the Company used their book value as the fair value for certain properties.

XX. Revenue recognition

1. Information on disaggregation of revenue from contracts with customers

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

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

	Thousands of U.S. dollars							
	Reportable segments							
	Lease and Installment Sales		Financing		Other		Total	
Revenue from contracts with customers								
Revenue from sale of leased properties	\$	1,286,304	\$	–	\$	–	\$	1,286,304
Provision of services, etc.		22,965		370		350,869		374,204
Total		1,309,269		370		350,869		1,660,508
Other revenue		2,784,750		215,421		19,230		3,019,401
Revenues from external customers	\$	4,094,020	\$	215,790	\$	370,099	\$	4,679,909

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

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

2. Basic information for understanding revenue from contracts with customers

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

XXI. Segment information, etc.

Segment information

1. Description of reportable segments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

About Us	Shared Value Story	Strategy & Action	Foundation for Shared Value Story	Corporate Governance	Financial Section & Corporate Date
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Assets	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
	¥	¥	\$
Reportable segments total	3,226,628	3,002,976	21,311,948
Corporate assets (Note)	163,696	148,647	1,081,215
Total assets reported on the consolidated balance sheets	¥ 3,390,324	¥ 3,151,624	\$ 22,393,164

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

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

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

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

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

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

Increase in property, plant and equipment and intangible assets	Millions of yen		Thousands of U.S. dollars
	FY2023 (April 1, 2023 - March 31, 2024)	FY2022 (April 1, 2022 - March 31, 2023)	FY2023 (April 1, 2023 - March 31, 2024)
	¥	¥	\$
Reportable segments total	357,679	222,276	2,362,483
Adjustment	3,269	2,676	21,596
Amounts reported on the consolidated financial statements	¥ 360,949	¥ 224,952	\$ 2,384,079

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

Information associated with reportable segments

1. Information for each product or service

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

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

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

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

2. Information for each region

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

(1) Revenues from external customers

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

(2) Property, plant and equipment

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

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

Notes: 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

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

(1) Revenues from external customers

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

(2) Property, plant and equipment

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

Notes: 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

3. Information for each of main customers

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

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

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

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

About Us	Shared Value Story	Strategy & Action	Foundation for Shared Value Story	Corporate Governance	Financial Section & Corporate Date
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Disclosure of impairment losses on non-current assets for each reportable segment

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

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

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

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

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

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

Amortization and unamortized balance of goodwill for each reportable segment

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

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

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

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

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

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

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

Information about gain on bargain purchase for each reportable segment

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

Not applicable

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

Not applicable

Related parties

1. Related party transactions

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

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

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

Type	Name	Location	Capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥111,609	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	¥310	Lease receivables and investments in leases	¥18,641
							Purchase of operating assets	¥35,144		
							Sale of operating assets			
							Sale of operating assets	¥3,568		

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Thousands of U.S. dollars)	Account title	Year-end balance (Thousands of U.S. dollars)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	\$737,180	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	\$2,053	Lease receivables and investments in leases	\$123,129
							Purchase of operating assets	\$232,129		
							Sale of operating assets			
							Sale of operating assets	\$23,570		

Notes: 1. Lease transactions are concluded upon submission of estimates based on actual market conditions, and are subject to the same terms and conditions as general transactions.
2. The purchase and sale of operating assets is determined based on the actual market price. The transaction amount records the total transaction amount that occurred in the fiscal year ended March 31, 2024.

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

Type	Name	Location	Capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥111,609	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	¥67	Lease receivables and investments in leases	¥17,259
							Purchase of operating assets	¥41,758		
							Sale of operating assets	¥65,740		

Notes: 1. Lease transactions are concluded upon submission of estimates based on actual market conditions, and are subject to the same terms and conditions as general transactions.
2. The purchase and sale of operating assets is determined based on the actual market price. The transaction amount records the total transaction amount that occurred in the fiscal year ended March 31, 2023.

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

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

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

Not applicable

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

Not applicable

2. Notes to parent company and significant associates

(1) Parent company's information

There is no parent company.

(2) Summary financial information for significant associates

There are no significant associates.

XXII. Information on special purpose entities

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

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

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

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

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

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

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

Not applicable

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

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

XXIII. Per share information

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

Notes: 1. Treasury shares are deducted when calculating the number of common shares as of the fiscal year-end, used in the computation of the net assets per share, and those treasury shares include the Company's shares owned by the Board Benefit Trust (BBT). The number of treasury shares owned by the Board Benefit Trust (BBT) as of the fiscal year-end is 147,700 shares for the fiscal year ended March 31, 2024 and 149,800 shares for the fiscal year ended March 31, 2023.
2. Treasury shares are deducted when calculating the average number of shares during the period, used in the computation of the basic earnings per share, and those treasury shares include the Company's shares owned by the Board Benefit Trust (BBT). The average number of treasury shares owned by the Board Benefit Trust (BBT) during the period is 147,837 shares for the fiscal year ended March 31, 2024 and 151,368 shares for the fiscal year ended March 31, 2023.
3. Calculation basis of net assets per share is as follows.

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

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

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

XXIV. Subsequent events

Corporate bond issuance

The Company issued straight bonds as follows:

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

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

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

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

Independent Auditor’s Report



Independent Auditor’s Report

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

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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



Estimate of residual value of real estate under operating lease transactions	
Description of Key Audit Matter	Auditor’s Response
Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group) is engaged in leasing, installment sales, commercial loan origination, and other financial services. The Group recorded assets for lease of ¥936,396 million in property, plant and equipment, at cost less accumulated depreciation on the consolidated balance sheets for the fiscal year ended March 31, 2024. Real estate lease assets with a carrying amount of ¥563,759 million were recognized as described in Note XIX, “Real estate leasing business,” to the consolidated financial statements. These assets account for 17% of consolidated total assets. 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. As described in Note II, “Significant accounting estimates,” the Group estimates the residual value using future cash flows and discount rates, and the significant assumption for estimating the residual value is future cash flows. The future cash flows of real estate lease transactions are estimated based on considerations such as terms of contracts, rents, and occupancy rates. However, these transactions are highly individual in nature and the estimation of the residual value requires complex judgment, and specialized knowledge and experience. In addition, since the value of each property in real estate lease transactions is significant and operating lease transactions are not full payout, an inappropriate estimation of the residual value can have a considerable impact on profit or loss calculations. Based on the above, we have determined the estimation of the residual value of real estate under operating lease transactions to be a key audit matter.	We performed the following audit procedures, among others, to evaluate the key assumptions such as future cash flows and other inputs required to estimate the residual value of real estate under operating lease transactions by selecting a sample of transactions based on quantitative significance, the remaining number of years, and the type of lease payments: (1) Audit procedures performed for selected assets acquired in the current year • 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, 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. (2) Audit procedures performed for selected assets acquired in previous years In order to evaluate the Group’s estimate of the residual value, we compared actual rents and occupancy rates with the original estimates to analyze the cause of differences. (3) Audit procedures performed for selected assets sold during the current year 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.

Independent Auditor's Report



Determinations regarding impairment of goodwill	
Description of Key Audit Matter	Auditor's Response
The Group acquires businesses with the aim of further expanding and growing its business and recorded goodwill of ¥23,256 million on the consolidated balance sheets for the fiscal year ended March 31, 2024, which consists of goodwill mainly related to the acquisition of Accretive Co., Ltd., INVOICE Inc., LN Holdings, Co., Ltd., Yamato Lease Co., Ltd., WorkVision Co., Ltd., and Pacific Rim Capital, Inc. As described in "4. Summary of significant accounting policies," "(9) Amortization method and period of goodwill" under Note I, "Basis of presentation," the Group estimates the useful life of goodwill and amortizes it on a straight-line basis over this period. However, if there are any significant changes having an adverse effect on the entity and the recoverable amount of goodwill is assumed to decrease, the Group determines that there is an indication that goodwill may be impaired. If the total amount of expected undiscounted future cash flows is less than the carrying amount of the cash generating unit (CGU), an impairment loss on goodwill must be recognized. Note that, as described in "4.3 Impairment losses" under "Notes for consolidated statements of income," the Group recorded impairment losses of ¥660 million for Human Centrix Co., Ltd. on the consolidated statements of income for fiscal year ended March 31, 2024. The Group determines whether there are any indications of impairment by, for example, comparing the initial business plan at the time of acquisition of each subsidiary with actual results, analyzing factors related to the differences between them, and considering the impact on future performance based on these factors. This involves significant management judgment on the current and future business environment. In addition, the Group measures the recoverable amount of the CGU to which goodwill belongs at its value in use, and value in use is calculated based on future cash flows and discount rates. This involves management judgment and expertise related to valuations. Based on the above, we have determined the determinations regarding impairment of goodwill to be a key audit matter.	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. - In order to evaluate determinations by the Group regarding the possibility of significant deterioration in the operating environment, we performed a comparative analysis between the initial business plan at the time of acquisition of each subsidiary and the actual financial results through the end of the current fiscal year and a variance analysis on the differences identified between the business plan figures and actual results. - 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 the recoverable amounts, we made inquiries of management and inspected related materials to consider the consistency between the initial business plan of each subsidiary and the Group's overall business policy for the current and following fiscal years, and between the initial business plan of each subsidiary and the Group's medium-term business plan. Further, we performed the following audit procedures, among others, to evaluate the Group's measurement of impairment loss on goodwill for the CGU to which goodwill belongs. - Regarding the business plan that forms the basis for the estimate of future cash flows, we inspected related materials and performed a comparative analysis between the business plan and actual financial results. In addition, we made inquiries of management and considered the consistency of their answers with the business plan. - We involved the valuation experts from our network firm to evaluate the basis for calculation such as discount rates and to perform recalculations.

Ernst & Young ShinNihon LLC



Other Information

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

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Ernst & Young ShinNihon LLC

Independent Auditor's Report



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Fee-related Information

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

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Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 9, 2024

/s/Yuji Ozawa
Designated Engagement Partner
Certified Public Accountant

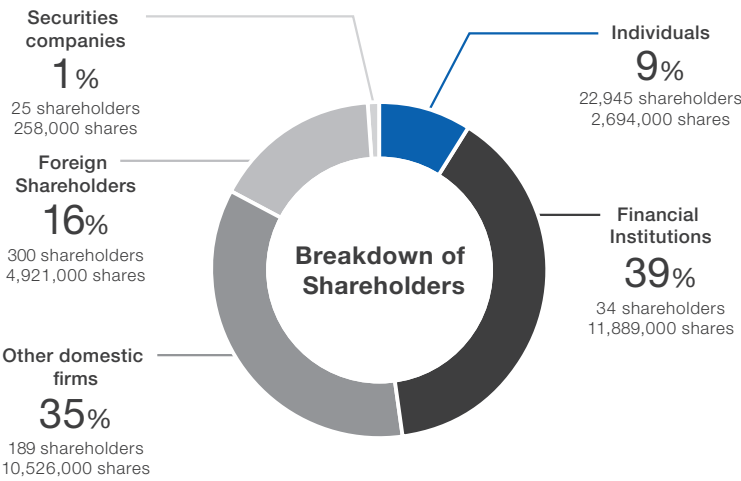
/s/Toru Nakagiri
Designated Engagement Partner
Certified Public Accountant

Ernst & Young ShinNihon LLC

Stock Information

As of March 31, 2024

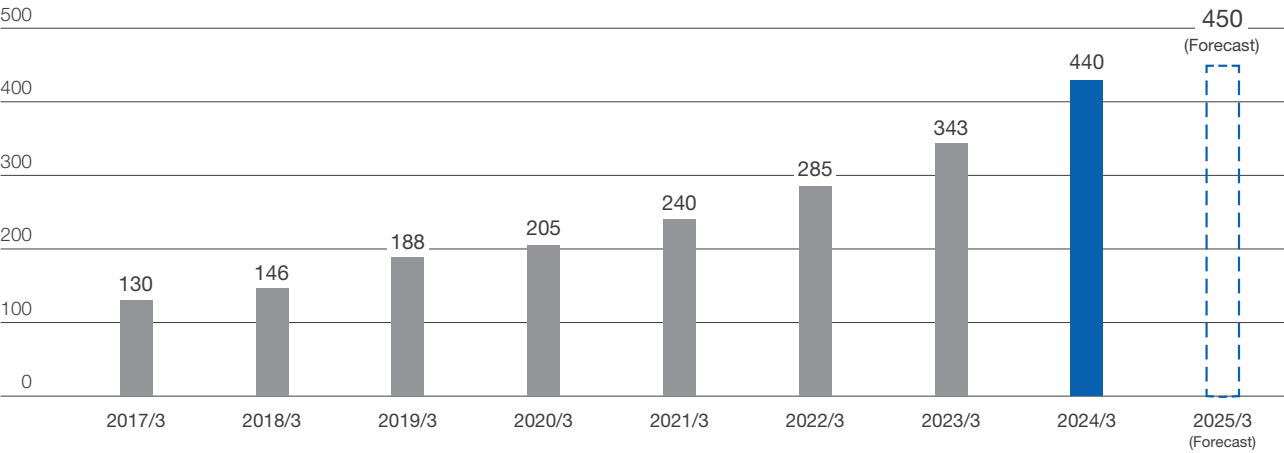
Stock Overview	
Total number of authorized share	100,000,000 shares
Number of shares outstanding	30,288,000 shares
Share unit number	100 shares
Number of shareholders	23,493



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)	2,738	9.1%
Meiji Yasuda Life Insurance Company	2,556	8.5%
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account); Custody Bank of Japan, Ltd. as a Trustee of Retrurst	1,512	5.0%
Custody Bank of Japan, Ltd. (Trust Account)	1,216	4.0%
Sompo Japan Insurance Inc.	1,002	3.3%
Azbil Corporation	1,000	3.3%
Mizuho Bank, Ltd.	908	3.0%
NICHIREI CORPORATION	417	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 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.



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.



ESA: Ecosystem Society Agency

This agency was established to realize a sustainable society where people can live fulfilling lives even under constraints, by promoting co-creation among companies, municipalities, and research institutes based on the concepts of “circulation” and “co-existence.” We have been a member of this agency since the launch of the Japan Circular Economy Partnership, a task force within ESA, in October 2021.



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.



EMF: 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.



Keidanren Initiative for Biodiversity Conservation

This initiative includes companies and organizations that are working on multiple items of the eight items outlined in the Keidanren Declaration for Biodiversity and Guideline (revised edition), or who support the initiative's overall objectives. We have participated in this initiative since January 2024.



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.



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.

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
カーボン
エフィシエント
指数



CDP
A LIST 2023
CLIMATE



2024
Sompo Sustainability Index



2024 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN) *

2024 CONSTITUENT MSCI NIKONKABU
ESG SELECT LEADERS INDEX *



Note: Information on definitions, etc. regarding inclusion in the FTSE Russell and MSCI indices is available on the Company's website.

Evaluation of Our Initiatives



In fiscal 2023, in the Fundraisers category of the ESG Finance Awards Japan, we received the Silver Prize under the Minister of the Environment Awards and the Circular Economy Award under the Selection Committee Chairman Awards.



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 Initiate 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 2024 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.



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.



We entered the PRIDE Index 2023, which assesses efforts to make workplaces welcoming to sexual minorities, and were awarded Silver certification.

FUYO LEASE

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