FINANCIAL INFORMATION 2024

For the fiscal year ended March 31, 2024

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MITSUBISHI HC CAPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Results

The Mitsubishi HC Capital Group's business results for the fiscal year ended March 31, 2024 were as follows.

On the sales front, the volume of new transactions increased by ¥411.3 billion or 15.6% year on year to ¥3,051.9 billion.

Revenues increased by ¥54.3 billion or 2.9% to ¥1,950.5 billion.

Meanwhile, gross profit rose by ¥22.7 billion or 6.4% to ¥380.0 billion and operating income by ¥7.4 billion or 5.4% to ¥146.1 billion.

Though there were impairment losses not included in the initial plan and an increase in credit costs in the Global Business segment (the Americas), the Group saw business growth driven by the Aviation segment, profit in the Logistics segment exceeded the plan, and gain on sales of assets in the Real Estate and Environment & Energy segments also exceeded the plan.

As a result, net income attributable to owners of the parent came to ¥123.8 billion, which exceeded the financial forecast of ¥120.0 billion by ¥3.8 billion (3.2%), marking the second consecutive year of a record high.

The annual dividend was ¥37 per share (payout ratio of 42.9%) as per the full-year dividend forecast. This is a ¥4 increase over the previous fiscal year's dividend of ¥33, marking the 25th consecutive year of increases.

Operating results by reportable segment are presented below.

■ Customer Solutions

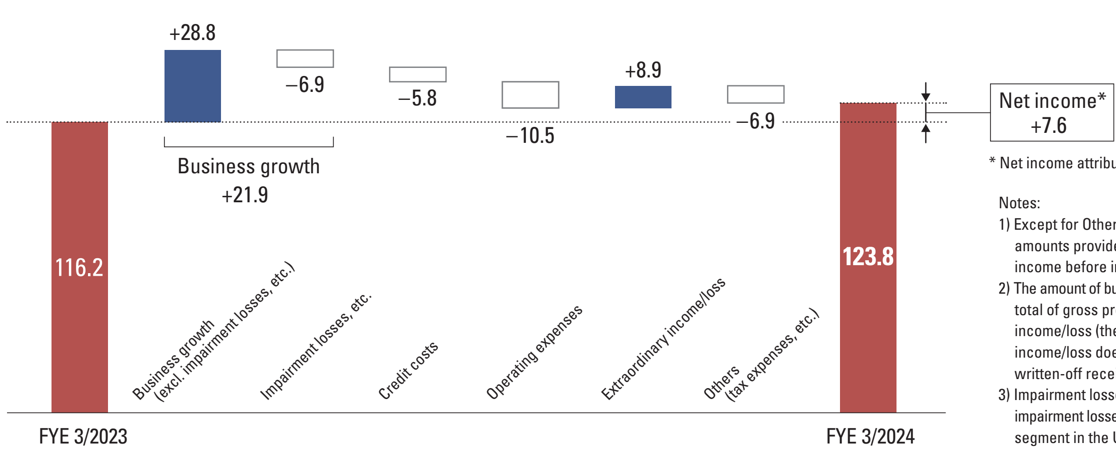
Segment profit remained unchanged year on year at ¥38.1 billion mainly due to an increase in gains on sales of strategic shareholding, despite the absence of large gains on sales related to real estate leasing and insurance claim income from a certain deal recorded in the previous fiscal year.

■ Global Business

Segment profit decreased by ¥12.4 billion, or 42.8% year on year, to ¥16.6 billion. This was mainly due to an increase in credit costs in line with the worsening market condition of the transportation sector that was strong during the COVID-19 pandemic in the Americas and the absence of gains on revaluation of securities recorded in Europe, despite the positive effects of adjusting the fiscal period associated with the reorganization of subsidiaries in the Americas.

Increase/Decrease in Net Income Attributable to Owners of the Parent (¥ Billion)

■ Positive factor □ Negative factor



* Net income attributable to owners of the parent

Notes:
1) Except for Others (tax expenses, etc.), the amounts provided reflect the impact on income before income taxes.
2) The amount of business growth is the combined total of gross profit and non-operating income/loss (the amount of non-operating income/loss does not include recoveries of written-off receivables).
3) Impairment losses, etc. is the total amount of impairment losses and losses in the Real Estate segment in the U.S.A.

Effective April 1, 2023, we executed the business integration of three subsidiaries in the Americas with a different fiscal year-end. While the surviving company's fiscal year-end is March 31, the two merged companies' fiscal year-end was December 31. Accordingly, results of the two merged companies for the period from January 1, 2023 to March 31, 2023 are also included in the consolidation for the fiscal year ended March 31, 2024, resulting in a year-on-year increase in profit.

■ Environment & Energy*

Segment profit decreased by ¥4.3 billion, or 37.1% year on year, to ¥7.3 billion mainly due to recording of impairment losses on a solar power generation project in Japan and a decrease in profits from equity-method investments despite an increase in gains on sale of assets.

* The name of the segment was changed from "Environment, Energy & Infrastructure" to "Environment & Energy" in the fiscal year ended March 31, 2024.

■ Aviation

Segment profit increased by ¥21.1 billion, or 340.3% year on year, to ¥27.3 billion mainly thanks to an increase in leasing revenues, a reversal of large credit costs, a decrease in impairment losses, and a decrease in exchange revaluation losses related to foreign currency-denominated borrowings in aircraft leasing transactions that our head office is engaged in.

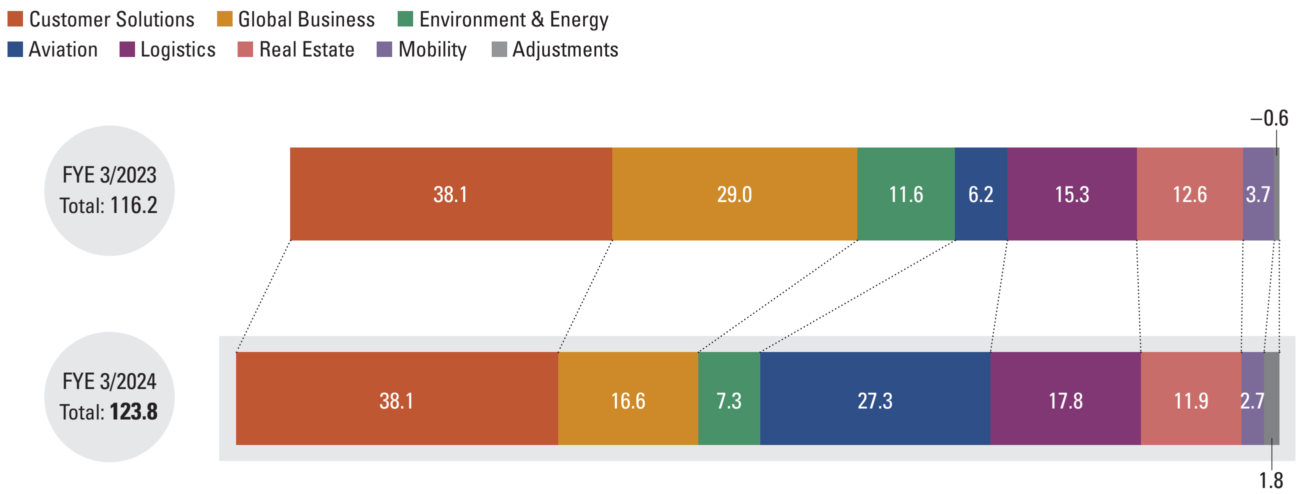
■ Logistics

Segment profit increased by ¥2.4 billion, or 15.9% year on year, to ¥17.8 billion mainly thanks to an increase in gains on sale of assets (mainly shipping) despite a decrease in leasing revenues attributable to the normalization of the utilization rates of marine containers after a period of overheated market conditions.

■ Real Estate

Segment profit decreased by ¥0.7 billion, or 5.6% year on year, to ¥11.9 billion mainly due to recording of losses in U.S. projects against a backdrop of the worsening real estate market, the negative effect of the deconsolidation of Diamond Asset Finance Company Limited, and an increase in tax expenses despite an increase in gains on sale of assets and the recording of gains on step acquisitions in relation to making CenterPoint Development Inc. a wholly owned subsidiary.

Segment Profit (¥ Billion)



MANAGEMENT'S DISCUSSION AND ANALYSIS

■ **Mobility**

Segment profit decreased by ¥1.0 billion, or 26.4% year on year, to ¥2.7 billion mainly due to the negative effect of the deconsolidation of Mitsubishi HC Capital Auto-Lease Corp.

Financial Position

As of March 31, 2024, total assets increased by ¥423.6 billion or 3.9% from the previous fiscal year-end to ¥11,149.8 billion, while total equity rose by ¥154.3 billion or 9.9% to ¥1,705.3 billion, and interest-bearing debt (excluding lease obligations) increased by ¥203.6 billion or 2.5% to ¥8,439.7 billion. The equity ratio increased by 0.8 points to 15.1%.

Total liabilities were up ¥269.3 billion to ¥9,444.5 billion. Out of interest-bearing debt, long-term liabilities such as long-term loans rose by ¥189.8 billion to ¥5,383.9 billion, while short-term liabilities such as short-term loans and commercial paper increased by ¥13.8 billion to ¥3,055.8 billion.

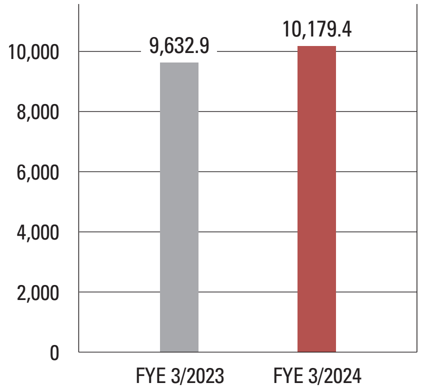
Operating activities used net cash of ¥49.1 billion compared to net inflows of ¥46.7 billion in the previous fiscal year. Inflows from income before income taxes of ¥167.6 billion with an adjustment of ¥213.4 billion for loss on disposal and sales of leased assets, a decrease in lease receivables and investments in leases of ¥64.1 billion, an increase in receivables of ¥31.7 billion, and an increase in trade payables of ¥10.9 billion were set against outflows from purchases of leased assets of ¥884.8 billion.

Investing activities provided net cash of ¥143.3 billion compared to net outflows of ¥127.3 billion in the previous fiscal year. This mainly consisted of proceeds from withdrawal of time deposits of ¥186.5 billion.

Financing activities used net cash of ¥222.9 billion compared to ¥8.9 billion in the previous fiscal year. Net outflows of ¥70.5 billion for direct funding and ¥89.8 billion for bank loans and other forms of indirect funding were set against items including ¥51.7 billion in cash dividends paid.

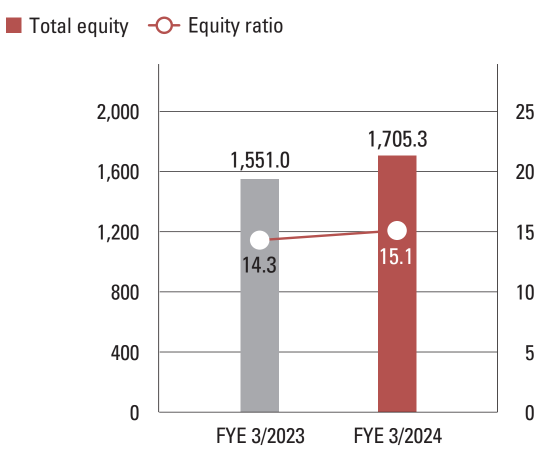
As a result, cash and cash equivalents as of March 31, 2024 totaled ¥335.3 billion, a decrease of ¥125.1 billion or 27.2% from the previous fiscal year-end. The ¥125.1 billion decrease came from ¥49.1 billion used in operating activities and ¥222.9 billion used in financing activities despite ¥143.3 billion provided by investing activities.

Segment Assets* (¥ Billion)



* The values for segment assets do not include adjustments. Refer to pages 84–88 for details.

Total Equity (¥ Billion) / Equity Ratio (%)



Medium-term Management Plan

The Group formulated a Medium-term Management Plan covering the three-year period from the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2026 (“2025 MTMP”), which was announced in May 2023. With “Together we innovate, challenge and explore the frontiers of the future” as Our 10-year Vision, we are proceeding with the evolution and layering of business models by developing services and promoting business investment, utilizing tangible and intangible assets, such as data and other elements, to their fullest potential. For the promotion of the above, we will aim for sustainable growth by solving environmental, social, and economic issues. At the same time, we will aim to enhance our medium- to long-term corporate value by achieving an optimal balance sheet based on well-balanced growth potential, return on capital, and financial soundness.

The financial targets for the fiscal year ending March 31, 2026, the final fiscal year of the 2025 MTMP, are net income attributable to owners of the parent of ¥160.0 billion, return on assets (ROA) of approximately 1.5%, return on equity (ROE) of approximately 10%, and a payout ratio of 40% or higher during the 2025 MTMP period. Net income attributable to owners of the parent is used for the calculation of ROA and ROE.

For details on the 2025 MTMP, please refer to “Medium-term Management Plan for FY2023–FY2025” on the Company’s website.

(2025 MTMP on the Company’s Website)
https://www.mitsubishi-hc-capital.com/english/investors/managementplan/index.html

Financial Targets (end of FYE 3/2026)	Net income[*1]: ¥160.0 billion (CAGR[*2] vs. FYE 3/2023: +11.2%)	ROA[*3]: Approx. 1.5% (vs. FYE 3/2023: Approx. +0.4 pts)	ROE[*3]: Approx. 10% (vs. FYE 3/2023: Approx. +1.8 pts)
Dividend Policy (2025 MTMP period)	Payout ratio: 40% or higher	• As a general rule, return profits to shareholders by paying dividends • Increase the total amount of dividend payment through profit growth	
Financial Soundness (2025 MTMP period)	Maintain A ratings	• Establish both a sound financial base and an active investment strategy • Maintain current stand-alone ratings	

Exchange rates:
(FYE 3/2023) U.S.$1=¥131.43, £1=¥163.15
(FYE 3/2026) U.S.$1=¥130, £1=¥160

*1. Net income attributable to owners of the parent
*2. CAGR: Compound Annual Growth Rate
*3. Net income attributable to owners of the parent is used for the calculation of ROA and ROE

BUSINESS AND RELATED RISKS

Of the business and related risks of the Mitsubishi HC Capital Group, the main items with potential for important impact on investors' decisions are managed comprehensively in the framework set out below under 1. Integrated Risk Management. The Group has established an appropriate system to manage these risks and strives to prevent them from emerging or to minimize their impact if they occur.

Furthermore, to manage these potential risk factors, we operate a system whereby the division responsible for the relevant area of risk monitors and identifies issues arising from changes in the external environment and other factors. Each of these divisions holds regular discussions to review appropriate response measures and reports promptly to the Executive Committee, a consultative and decision-making body that controls the execution of business. Specifically, in addition to the Risk Management Committee that undertakes comprehensive and systematic management of risks affecting all operational areas, the Asset Liability Management (ALM) Committee, Compliance Committee, and other committees meet quarterly or as necessary to discuss the issues surrounding and measures to address individual risks. Additionally, important matters at each committee are reported to and discussed by the Board of Directors.

The forward-looking statements herein are based on judgments made by the Group as of March 31, 2024.

01 Integrated Risk Management

Mitsubishi HC Capital engages in business operations that incorporate the framework of integrated risk management in order to work toward sustainable growth by balancing maintenance of management soundness with improving profitability. The major risks managed within the framework of integrated risk management include credit risk, asset risk, investment risk, market risk, liquidity risk, and operational risk. Risk management is conducted on a consolidated basis.

Specifically, risk capital is allocated to the respective risk category based on the Company's risk capital management policy after quantifying each risk using risk assessment methods tailored to the characteristics of the asset or business. Reasonable risk-taking is then carried out within the scope of risk tolerance.

Within this risk management framework, regular monitoring is undertaken of the utilization of risk capital and the status of portfolios, the results of which are reported to and discussed by the Risk Management Meeting, the Executive Committee, and the Board of Directors. In this way, efforts are made to ensure appropriate response measures and to promote effective internal communication about risk. Arrangements are in place to ensure that the Board of Directors is fully informed of the risk management system and risk management status and that it maintains oversight thereof.

02 Major Risks Managed within Framework of Integrated Risk Management

The Mitsubishi HC Capital Group conducts business activities globally. The Group provides capital investments and services necessary for customer businesses through leases and other means. The assets it holds for leases and related transactions are diversified, ranging from general movable property such as office equipment and production equipment to assets, such as aircraft, that are used in particular industries. Demand for capital investment can decline considerably if a customer's business environment deteriorates with deceleration or slowdown in business at home or abroad. In that case, a decline in leases and other transactions could impact the Group's business results and financial position. Additionally, losses arising from inadequacy of internal processes, personnel, or systems or their failure to function, or exogenous events could impact the Group's business results and financial position.

The major items among these envisioned risks are managed within the framework set out under 1. Integrated Risk Management.

(1) Credit Risk

The Mitsubishi HC Capital Group conducts business that extends credit over the medium to long term through leases, installment sales, monetary loans, and other financial services of various forms. Depending on future business trends and the financial landscape, additional provisions of allowance for doubtful receivables could be necessary with increasing non-performing loans due to deterioration in a company's credit status, which could impact the Group's business results and financial position. Furthermore, because the Group is engaged in business globally, it is subject to country risk in which losses may arise depending on the political and economic situations in the countries and territories where customers and investees are located.

Main Efforts to Address Risk

When considering the advisability of each deal, the Group carefully reviews the customer's credit standing using its own rating system and makes a thorough study in light of the value of the leased property, country risk, and other factors in an effort to ensure a reasonable return for the risk. Additionally, the Group continues to check the customer's credit standing on an ongoing basis even after entering into business relations and has a system in place to take the necessary steps in the event that the customer's credit standing worsens. Moreover, it engages in credit management with respect to the portfolio as a whole and considers risk diversification to ensure that credit is not concentrated with a specific customer, industry, country, territory, and so on, while striving to ensure sound management by regularly measuring the credit risk of its portfolio and monitoring to ensure that it is within a certain scope of capital.

(2) Asset Risk

In addition to general movable property, the Mitsubishi HC Capital Group holds such global assets as aircraft and real estate, including buildings, and conducts a business leasing these assets in and outside Japan in the form of operating leases and others. In this business, the Group is exposed to asset risk in addition to the aforementioned credit risk, so fluctuation in revenue from asset management and disposals could impact the profitability of the leases. For this reason, when engaging in operating leases, the Group carefully assesses the future value according to asset type in addition to the customer's credit standing before working on each deal. Even after entering into business relations, the Group continues monitoring the status of the leasing and secondary markets for said assets along with the status of asset use by the leaseholder, striving to prevent risks from emerging or to mitigate their impact if they occur.

a. Global Assets

The Group holds global assets such as aircraft and aircraft engines, containers, and railway cars and conducts a business leasing these assets in and outside Japan in the form of operating leases and others. In the business related to global assets, the Group is exposed to price fluctuation risk pertaining to said assets in addition to the aforementioned credit risk. With operating leases, in addition to lease fee revenue received from the customer, the Group recovers funds by selling the asset at the end of the lease period. Additionally, in the event of a customer bankruptcy, the Group takes the asset back and recovers funds by leasing it to a different customer or selling it. As for selling assets, in addition to business trends and the financial landscape, major incidents arising from technical problems, obsolescence due to technological change, revisions to laws and regulations, increased concern over global pandemics or terrorism, natural disasters, war, or geopolitical risk may render the asset irrecoverable or cause its selling price to fluctuate. Furthermore, the recording of an impairment loss or increased costs associated with property management could also impact the Group's business results and financial position.

Main Efforts to Address Risk

When engaging in operating leases with global assets, the Group conducts a comprehensive review that includes a checklist for deals involving movable property and future asset liquidity before working on each deal and endeavors to ensure a reasonable return for the credit risk and asset value fluctuation risk. Furthermore, the Group has established internal criteria to maintain a portfolio with risk diversification taken into account, including asset types, regions, and time of expiration. Moreover, the Group continues to check the customer's credit standing and industry trends on an ongoing basis even after entering into business relations and has a system in place to take the necessary steps in the event that the customer's credit standing worsens, such as collecting a deposit from the customer to cover asset wear and tear as necessary. Additionally, the Group holds warning sign management meetings as necessary at business divisions and risk management divisions for each major asset category to review applicable industry trends and signs of problems that could impact asset value fluctuation. The Group also regularly measures customer credit risk and the risk of fluctuations in the value of assets in its portfolio to monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

b. Real Estate

The Group is engaged in and outside Japan in investment in and financing of commercial real estate such as offices, residences, commercial facilities, logistics facilities, and hotels, and in leasing and other business operations based on its portfolio of owned properties. These assets are subject to revenue fluctuation risk and price fluctuation risk. In the real estate-related business, in addition to lease fee revenue from tenants, the Group recovers funds by selling those assets that are not long-term holdings at the right time. Lease fee revenue and revenue from sale of assets may fluctuate depending on the market environment, such as business trends, the financial landscape, and the lease market in the specific location of the asset, and this could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group makes a careful decision based on a comprehensive review of future asset value and liquidity before working on each deal and endeavors to ensure a reasonable return for the asset value fluctuation risk. Furthermore, the Group continues to check the status of asset management, price trends, and industry trends on an ongoing basis even after entering into business relations and has a system in place to maximize revenue. Additionally, the Group holds warning sign management meetings as necessary at business divisions and risk management divisions to review industry trends and signs of problems that could impact asset value fluctuation. The Group also regularly measures the risk of fluctuations in the value of assets in its portfolio to monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

(3) Investment Risk

The Mitsubishi HC Capital Group is engaged in investment in and financing of projects such as solar power, wind power, and other renewable energy businesses in Japan and overseas as well as various business investments, including loans to operating companies and funds. These investing activities are subject to such risks as risk of changes in the business environment including business fluctuations and declining demand, risk of revenue falling below the plan due to sluggish performance of investees or partners, risk of diminished recoverability of the investment amount, risk of investee stock value falling below a certain level, and risk of investee stock value staying below a certain level for a considerable period of time due to sudden changes in the economic or financial situation or a major disruption of the financial markets regardless of the investee's performance. These risks could result in a total or partial loss of the investment, including through valuation loss, or create the necessity of additional funding. In addition, there are the risk that the Group may be unable to exit or restructure the business at the desired time or using the desired method due to differences with the partner's management policy or low liquidity of the investment asset and the risk that the Group may be disadvantaged by not being able to obtain relevant information from the investee, and these risks could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group holds investment meetings according to the individual investment amounts and severity of risk to gather the opinions of the relevant departments and makes a careful decision based on a comprehensive review of future investment value and liquidity from a broad point of view when considering each investment, thereby endeavoring to ensure a reasonable return for the risk. Additionally, the Group continues to check the status of investment management and industry trends on an ongoing basis even after entering into business relations and has a system in place to maximize revenue. The Group also regularly measures the risk of fluctuations in the value of investments in its portfolio to monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

(4) Market Risk

a. Interest Rate Fluctuation Risk

The fees for leases and installment sales conducted by the Mitsubishi HC Capital Group are set based on the purchase price for the transacted property and the market interest rates at the time of contract. Most of these basically do not fluctuate during the contract term. The cost of funds for acquiring the leased property, on the other hand, is affected by fluctuations in the market interest rate as the funds are procured at both fixed and variable interest rates for fundraising diversification and reduction of funding costs. As such, a sharp rise in the market interest rate resulting from sudden changes in the financial situation could impact the Group's business results and financial position.

b. Exchange Rate Fluctuation Risk

The Group actively conducts business outside Japan, and as foreign currency-denominated assets increase, so does their percentage of consolidated operating assets. The financial statements of the Group's consolidated subsidiaries outside Japan are expressed in the local currency while the Company's consolidated financial statements are expressed in Japanese yen. As such, although fundraising is, in principle, conducted in the same currency as the asset, should a large fluctuation occur in exchange rates, it could impact the Group's business results and financial position in Japanese yen terms.

Main Efforts to Address Risk

The Group constantly watches movements in the financial markets and, as needed, monitors through ALM any imbalances in the form of interest rates or currency exchange for asset management and for procurement of funds. It then manages interest rate fluctuation risk through appropriate hedge operations while taking interest rate movements into account. To address exchange rate fluctuation risk, in principle, the Group raises funds in the same currency as the operating asset in an effort to minimize loss on currency valuation of assets. The Group also regularly measures the quantitative risk of the position of portfolio holdings incurring a loss over a certain period of time at a certain probability and to what extent in the event that interest or currency exchange rates take a disadvantageous turn based on past statistics, and monitors whether it is within a certain scope of capital in an effort to ensure sound management. Meanwhile, the ALM Committee meets quarterly or as required to analyze scenarios and data in connection with geopolitical risk, pandemics, and various other risk factors and to determine ALM policy based on trends in the financial market environment, the risk situation, and other considerations.

(5) Liquidity Risk

When engaging in acquisition of lease properties for leases, installment sales, and monetary lending, the Mitsubishi HC Capital Group raises a large amount of funds in Japanese yen and other currencies. The Group attempts to balance the period of leases and other credit transactions and investments with the period of fundraising, but should it experience difficulty securing enough funds because of heightened risk aversion on the part of financial institutions and investors due to a free fall in economic and financial conditions and major confusion in the financial markets or a decline in the Group's creditworthiness, it could impact the Group's business results and financial position.

Main Efforts to Address Risk

With respect to the procurement of funds, the Group tries to ensure the liquidity of funds through efforts to diversify by procuring funds directly from the market including corporate bonds, commercial paper, and securitization of lease receivables in addition to borrowing from financial institutions as well as through procurement with long- and short-term balance, careful management of cash flow, and measures to supplement liquidity during emergencies, such as through the acquisition of commitment lines.

Additionally, the Group conducts stage-by-stage management of liquidity, putting in place funding arrangements to ensure that the immediately necessary funds can be secured, including funds for repayment, even if the fundraising environment deteriorates, and reporting on the status of funding to the ALM Committee.

In addition to analyses of credit, interest rate sensitivity (the impact on revenue of interest rate fluctuation) and other items, the ALM Committee carries out comprehensive investigations of (4) Market Risk and (5) Liquidity Risk in the event of stress developing in the financial markets or other relevant areas, including the potential impact on profit. It then decides a fund procurement strategy and risk response policies as the basis for the rollout of a Companywide strategy reflecting the market environment. Regarding risk management in particular, it coordinates with the Risk Management Committee, which is one arm of the Companywide integrated risk management system. By strengthening the warning sign management system and coordinating with contingency planning, it makes efforts to improve the flexibility and resilience of financial structures in the event of a crisis situation emerging.

Meanwhile, to support the globalization of its business over recent years and also to increase its ability to procure foreign currency, the Group is progressing with the reorganization of its regional financial bases. As part of this, it has established a regional financial base in North America where it holds a large asset balance, thus putting in place a Group financing system, which includes the consolidation of financing. The North American regional financial base offers not only indirect financing but also various forms of fund procurement, including issuance of commercial paper and corporate bonds, thus providing funds to Group companies expanding into North America.

(6) Operational Risk

a. Risk Related to Earthquakes, Wind and Flood Damage, Pandemics, War, Terrorism, etc.

The Mitsubishi HC Capital Group uses facilities, including sites and systems, in and outside Japan to conduct its operations. Earthquakes, wind and flood damage, or other natural disasters as well as pandemics, war, terrorism, or other unpredictable circumstances could cause a reduction of activities or prevent operations at those sites by damaging the sites themselves or the systems or by injuring employees or preventing them from coming to work, thereby disrupting business operations. Moreover, depending on the extent of the damages or how long the event lasts, a large sum of money could be required to restore the systems or other facilities, or it may take a long time for business operations to recover. Such a situation could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group has established responsible departments depending on the envisioned risk to prepare for such circumstances and has a system in place to establish a crisis response headquarters to respond to a critical situation. The Group is also working to establish a system for business continuity by putting together a business continuity plan, implementing redundancy measures for backbone systems, establishing a system infrastructure that allows work from home, and implementing office shifts limited to operations that must continue.

As the Group does not have bases in Ukraine or Russia, it envisages limited direct impact from the situation in the region. However, should the situation escalate going forward, there may be indirect impacts such as an increase in non-performing loans due to worsening of the credit status of customers. This might require measures such as additional provisions of allowance for doubtful receivables, which could impact the Group's business results and financial position.

In March 2022, the Group set up a Crisis Management Headquarters that is working to address cybersecurity, trade control, and money laundering, track financial trends, enhance screening and management of deals, monitor the impact on the value of Group operating assets, and identify and manage other indirect impacts.

b. System Risk

The Group utilizes e-mail as well as a variety of information systems to conduct account processing, management of various contracts, customer management, asset management of leased properties, and other operations. An outage or failure of these information systems arising from poor maintenance, poor development, or other such problems could cause an interruption of contract and collection operations or services provided to customers, which in turn could cause a suspension of operating activities and economic loss, thereby impacting the Group's business results and financial position.

Main Efforts to Address Risk

The Group has a system in place to properly manage and maintain these systems through internal cooperation and partnership with other companies in order to ensure their stable operation. The Group is equipped with an integrated response system for failures that includes swift action and sharing of information internally and externally where the failure occurs as well as establishment and implementation of measures to prevent subsequent recurrence. Additionally, Group-wide IT control is implemented for system development at the Group companies in Japan and other countries by using standardized methods as part of a proprietary process.

c. Cybersecurity Risk and Information Security Risk

The Group utilizes e-mail as well as a variety of information systems to conduct account processing, management of various contracts, customer management, asset management of leased properties, and other operations. These information systems are subject to risk of business e-mail scams, malware infections, unauthorized access by outside parties, and other cyberattacks. Unauthorized access by outside parties, malware infections, human error, fraud, scams, and other problems could result in system outages or failures, monetary damages, leaks or unauthorized use of confidential information or customer information, or other incidents. These could cause an interruption of contract and collection operations or services provided to customers, which in turn could cause a suspension of operating activities, economic loss, or loss of social confidence from leakage of important information, thereby impacting the Group's business results and financial position.

Main Efforts to Address Risk

The Group has established a cross-organizational Security Incident Response Team (MHC-SIRT) to address these risks and has a system in place to prevent incidents at the entrance, internal, and exit stages and respond to them if they occur. Specifically, in preparation for cyberattacks that exploit vulnerabilities, the Group keeps software up to date to detect unauthorized access, malware, and other cyberattacks and maintains management preparedness to prevent problems. At the same time, the Group has established an internal and external coordination system and conducts drills to prepare for incidents. Moreover, targeted e-mail training is provided for all employees, and internal education on information security is carried out on an ongoing basis.

d. Legal Risk

The Group's operations are subject to a range of relevant legislation in and outside Japan. As the primary examples, in Japan its operations must comply with the Companies Act, tax laws, the Financial Instruments and Exchange Act, the Anti-Monopoly Act, the Personal Information Protection Act, the Money Lending Business Act, the Installment Sales Act, the Act on Prevention of Transfer of Criminal Proceeds, and laws and regulations related to the environment. Outside Japan, the Group's operations are subject to the legislation of each country and region as well as to oversight by regulatory authorities. Should there be a failure of compliance with legislation or company rules, it could impact the Group's business results and financial position by causing restriction on or interruption of operations, a claim for damages from customers or others, and a fall in social confidence.

Main Efforts to Address Risk

The Group strictly adheres to laws, regulations, and company rules in conducting its operations. The Group has established the Principles for Prevention of Bribery and Corruption, the Principles for Compliance with Competition Laws, the Basic Policy on Anti-social Elements, the Principles for Money-Laundering Prevention, the Personal Information Protection Policy, and the Principles for National Security Export Control and prepared a Compliance Manual, which is available for viewing at any time on the Company intranet. In addition, the Group provides ongoing compliance education. The Group is working to strengthen its compliance system and has also established a compliance hotline system, which it operates while regularly incorporating feedback from outside experts.

e. System Change Risk

The Group's operations are subject to a range of relevant legislation, accounting and tax regulations, and other systems in and outside Japan. Should there be substantial changes or revisions to any of the various systems closely related to the Group's operations that the Group was unable to properly address, there could be penalties for nonconformance, suspension of product offering, restrictions on business activities, sales losses, or other negative consequences that could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group's corporate centers, business divisions, sales bases in Japan, and sites in each country continuously monitor revisions and changes to the various systems in and outside Japan, such as legal, accounting, and tax systems, applying to the relevant country and services. In addition, the Group gathers information on and implements measures to address changes and revisions as quickly as possible while reinforcing such monitoring by actively utilizing outside experts.

f. Administrative Risk

The Group conducts transactions in various forms, and various administrative work arises with each transaction. Improper administrative work, including human error, fraud, and other irregularities, could cause an interruption of contract and collection operations or services provided to customers, which in turn could cause a suspension of operating activities or loss of customer trust, thereby impacting the Group's business results and financial position.

Main Efforts to Address Risk

The Group has established administrative rules for each transaction and conducts business according to these rules while reviewing them as needed. Additionally, an internal reporting system is in place for internal administrative incidents. Should such an incident occur, the system includes internal reporting, swiftly addressing the incident, identifying the cause, and establishing/implementing measures to prevent recurrence.

03 Other Major Risks

In addition to risk addressed in the framework of integrated risk management, the Group recognizes the major risks listed below. These risks are managed within the integrated risk management framework, including individual impact and combined impacts across multiple risk items, according to their individual characteristics and status. The Group explores a unified response and formulates a response policy as necessary and additionally conducts scenario analysis appropriate to the situation as part of a multi-faceted verification of risk resilience.

(1) Risk Related to Conduct

The Group is implementing various measures based on the keyword of "transformation" to achieve Our 10-year Vision of "Together we innovate, challenge and explore the frontiers of the future." During this process, any actions by our executives and employees that compromise customer protection, fair competition, market integrity, public interest, or social norms and cause harm to our stakeholders could impact the Group's credibility, business results, and financial position.

Main Efforts to Address Risk

The Group emphasizes integrity as one of the core elements of the Action Principles, which set forth the values and attitude each employee should have along with the actions they should take within the Basic Management Policy. This means maintaining high ethical standards and constantly returning to the basics. The Group ensures that all executives and employees conduct themselves accordingly. In addition, the Group has established the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct. While ensuring that all executives and employees maintain high ethical standards and respect both laws and regulations and the spirit of social norms, the Group also provides ongoing education on the topic of integrity.

(2) Risk Related to Personnel Recruitment

The Mitsubishi HC Capital Group must stably secure adequate human resources, in order to maintain and strengthen its competitiveness in the various businesses it operates in and outside Japan. The Group strives to continuously recruit and train capable personnel, but should it not be able to adequately secure and train the needed personnel this could impact the Group's business results and financial position.

(3) Risk Related to Labor and Employment Management

The Group employs a large number of staff in its business operations. This involves the risk of long working hours having a negative effect on the mental or physical health of employees or other negative impacts, making them unable to fulfill the expected duties, and the risk of legal infringement due to failure to appropriately monitor legal requirements relating to employment and related areas. Additionally, there is the possibility of these risks resulting in damage to public trust. To lessen the abovementioned risks, the Group promotes projects aimed at improved productivity and introduces systems to enable diverse workstyles (teleworking, flextime, etc.). In this way, it works not only to reduce long working hours but also to put in place a work environment that accommodates employees with childcare or nursing care responsibilities. Additionally, to address harassment and other personnel issues, the Group has introduced measures for employees in Japan and overseas, including internal whistleblowing systems and advice services. To enable employees to develop their abilities to the full, the Group is addressing workplace enhancement as a major focus of initiatives.

(4) Risk Related to Expansion of Operating Base, Strategic Partnerships, and M&As

In pursuit of continued growth through expansion of its operating base, the Mitsubishi HC Capital Group engages, in and outside Japan, in strategic partnerships with outside entities aimed at the enhancement of various services and tries to diversify and expand the Group's business portfolio through M&As in addition to expanding business on its own. The Group endeavors to diversify its business and enhance its services through this kind of approach.

However, changes in the domestic or international economic and financial conditions, intensification of competition, changes in the business environment or strategy of partners, revision of relevant legislation, and other factors could cause a failure to achieve expected results or result in the need to record additional expenses, such as impairment of goodwill recorded at the time of an M&A. Such a situation could impact the Group's business results and financial position.

Main Efforts to Address Risk

In addition to review by the relevant departments according to the individual investment amounts and severity of risks, the Group brings in outside experts for a comprehensive review of the fitness of the investment structure and the future investment effect from a broad point of view when considering each M&A or partnership deal. Even after an M&A deal is executed, the Group's rules are applied to establish a system for proper operational management, and monitoring is carried out on the business plan, results management, and other aspects so that the necessary actions can be taken in a timely manner.

(5) Risk Associated with Expansion of Business Domains

The Mitsubishi HC Capital Group is expanding the scope of its operations on a global basis, including new business domains, within the scope permissible under laws, regulations, and various other conditions. Should risks emerge within that process that exceed the scope of reasonable assumptions despite verification of the risks along with our knowledge and experience in the expanded business domain, or if the expanded business does not develop as envisioned, it could impact the Group's business results and financial position.

(6) Intensifying Competition

Competition in the leasing and other businesses of the Mitsubishi HC Capital Group conducted in and outside Japan could intensify not only from companies in the same business but also from financial institutions and others, or the competitive landscape could change due to a shift in business models of other industries, technical innovation, or other factors. The Group makes various efforts to maintain and strengthen its competitiveness, including by offering greater added value to its customers and creating value as an asset holder and through low-cost fund procurement. However, should the current competitive situation intensify further, a fall in market share and decline in income could impact the Group's business results and financial position.

(7) Climate Change Risk

Failure to respond to regulatory changes, technological innovations, or shifts in business models associated with the transition to a decarbonized society, or extreme weather conditions associated with global warming could cause customer bankruptcies due to deteriorating performance or could cause the value of assets held by the Group to decline, which could impact the Group's business results and financial position. Moreover, if the Group's response to climate change risk or its information disclosure are inadequate, or are deemed to be so, there is the possibility for the Group's corporate value to be damaged.

Main Efforts to Address Risk

The Group recognizes promoting a decarbonized society as a priority task in achieving sustainable growth that forms part of its materiality (important issues). Accordingly, the Group has expressed its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and is working to enhance risk identification and assessment and relevant information disclosure in accordance with the recommendations. Additionally, the Group recognizes climate change as a significant risk for Companywide risk management and is progressing with relevant initiatives.

(8) Human Rights Violation Risk

With corporate responsibility extending throughout the supply chain and the emphasis on sustainability initiatives, the prevailing view is that companies should recognize stakeholders as broadly encompassing ordinary individuals and local residents. Under these circumstances, if the Group were to neglect these stakeholders, and human rights violations were to occur within the Group or be committed by customers of the Group, it could be perceived as the Group itself causing, encouraging, or directly participating in those human rights violations. In turn, this could lead to damage to the Group's corporate value.

Main Efforts to Address Risk

The Group established the Human Rights Policy in September 2022, declaring that we "recognize that conducting business with the utmost respect of human rights is a major challenge, and we will fulfill our responsibilities in this matter across all our business activities." In addition, the Group launched an internal project to address human rights violation risk in October 2022. Moving forward, the Group will continue to advance efforts to eliminate human rights violations.

(9) Global Pandemic Risk

Should a global pandemic arise, negative consequences such as broad disruption of the supply chain, temporary restrictions on or suspension of economic activity by each national government, and damage to industrial systems or financial functions could impact a wide range of customers or businesses utilizing the assets of the Mitsubishi HC Capital Group. This may result in customer bankruptcies or a drop in the value of the Group's asset holdings, which could impact the Group's business results and financial position.

Despite the subsiding of the COVID-19 pandemic, which had continued since 2020, the Group will continue to promote diverse and flexible workstyles that utilize the IT remote communication tools and telecommuting systems, which were rolled out during the pandemic for both internal and external use. This will be done from the standpoint of improvement of productivity and business continuity management (BCM) including the prevention of the spread of infection.

04 Stress Tests

In the execution of management strategy, the Group makes efforts to gauge the degree of impact of stress periods caused by various risk events with potential impact on its business, such as deterioration in market conditions including economic downturns and market fluctuation. Specifically, the Group has posited a number of potential high-stress scenarios, ranging from a deterioration in the overall world economy to market fluctuation, deterioration in credit, and the emergence of large-scale concentrations of risk in individual business fields. Based on these scenarios, it has undertaken analysis and verification of the potential degree of impact of stress conditions on profitability and equity in each fiscal period.

These multifaceted verifications enable the Group to confirm its risk resilience and to ensure that the risk-return balance of management plans does not exceed tolerable levels.

Consolidated Balance Sheets

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Assets			
Current assets:			
Cash and cash equivalents (Notes 11 and 26)	¥335,307	¥460,486	$2,220,576
Time deposits other than cash equivalents (Notes 11 and 26)	27,466	126,952	181,898
Bank overdrafts (Note 26)	3,704	2,249	24,533
Marketable securities (Notes 4 and 26)	2,565	3,213	16,992
Receivables:			
Lease (Note 18)	80,030	77,647	530,002
Installment sales (Notes 11 and 26)	172,368	231,280	1,141,510
Loans (Notes 11, 12, and 26)	2,061,346	1,911,212	13,651,298
Lease receivables and investments in leases (Notes 7, 11, 23, and 26)	3,153,989	3,264,169	20,887,345
Inventories (Notes 5, 11, and 12)	38,240	46,064	253,247
Prepaid expenses and other (Notes 11 and 18)	194,181	160,487	1,285,972
Allowance for doubtful receivables (Notes 2.s. and 26)	(28,373)	(22,094)	(187,907)
Total current assets	6,040,826	6,261,670	40,005,471
Property and equipment:			
Leased assets — at cost	5,165,373	4,388,259	34,207,774
Accumulated depreciation	(1,274,316)	(1,055,425)	(8,439,185)
Net leased assets	3,891,057	3,332,834	25,768,589
Advances for purchases of leased assets	119,139	58,969	789,001
Total leased assets (Notes 6, 8, 11, and 12)	4,010,196	3,391,803	26,557,590
Other operating assets — at cost	269,208	265,280	1,782,837
Accumulated depreciation	(61,251)	(45,655)	(405,636)
Net other operating assets (Note 11)	207,957	219,625	1,377,200
Own-used assets — at cost	34,699	31,812	229,799
Accumulated depreciation	(16,138)	(14,334)	(106,874)
Net own-used assets	18,561	17,478	122,925
Total property and equipment	4,236,715	3,628,907	28,057,717
Investments and other assets:			
Investment securities (Notes 4, 11, and 26):			
Unconsolidated subsidiaries and associated companies	216,492	192,861	1,433,722
Other securities	211,037	207,252	1,397,596
Goodwill (Notes 2.s. and 9)	102,091	91,497	676,099
Long-term receivables (Note 26)	122,035	99,912	808,178
Asset for retirement benefits (Note 14)	12,379	3,389	81,984
Deferred tax assets (Note 24)	26,148	33,224	173,167
Other (Note 11)	245,290	271,683	1,624,442
Allowance for doubtful receivables (Notes 2.s. and 26)	(66,983)	(68,806)	(443,596)
Total investments and other assets	868,490	831,015	5,751,595
Deferred assets:			
Bond issue costs	3,825	4,603	25,335
Total deferred assets	3,825	4,603	25,335
Total assets	¥11,149,858	¥10,726,196	$73,840,120

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 13 and 23)	**¥471,060**	¥633,099	**$3,119,605**
Commercial paper (Note 13)	**784,178**	559,485	**5,193,232**
Current maturities of bonds (Notes 11, 13, and 26)	**563,684**	642,883	**3,733,013**
Current maturities of long-term loans (Notes 11, 12, 13, 23, and 26)	**1,012,618**	959,951	**6,706,081**
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 11, 13, and 26)	**224,330**	246,640	**1,485,634**
Current maturities of lease obligations (Note 13)	**17,852**	19,794	**118,225**
Notes and accounts payable — trade	**171,616**	160,678	**1,136,535**
Income taxes payable	**13,083**	9,381	**86,647**
Deferred profit on installment sales (Note 26)	**7,016**	9,648	**46,469**
Other (Notes 13 and 18)	**280,530**	270,789	**1,857,815**
Total current liabilities	**3,545,972**	3,512,353	**23,483,261**
Long-term liabilities:			
Bonds, less current maturities (Notes 11, 12, 13, and 26)	**1,606,588**	1,582,848	**10,639,662**
Long-term loans from banks and other financial institutions, less current maturities (Notes 11, 12, 13, 23, and 26)	**3,435,702**	3,253,535	**22,752,995**
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 11, 13, and 26)	**341,628**	357,662	**2,262,443**
Lease obligations, less current maturities (Note 13)	**37,427**	43,089	**247,863**
Liability for retirement benefits (Note 14)	**6,635**	6,573	**43,943**
Asset retirement obligations	**39,481**	40,635	**261,464**
Reserve for insurance policy liabilities	**12,818**	12,055	**84,887**
Deferred tax liabilities (Note 24)	**159,118**	143,810	**1,053,764**
Other (Notes 11 and 13)	**259,139**	222,602	**1,716,154**
Total long-term liabilities	**5,898,539**	5,662,813	**39,063,178**
Commitments and contingent liabilities (Notes 15 and 27)			
Equity (Notes 16 and 31)**:**			
Common stock — authorized, 4,800,000,000 shares in 2024 and 2023; issued, 1,466,912,244 shares in 2024 and 2023	**33,196**	33,196	**219,841**
Capital surplus	**546,268**	547,344	**3,617,674**
Stock acquisition rights (Note 17)	**1,866**	2,138	**12,362**
Retained earnings	**775,152**	710,989	**5,133,458**
Treasury stock — at cost, 29,804,554 shares in 2024 and 30,718,231 shares in 2023	**(20,894)**	(19,158)	**(138,372)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**14,987**	14,817	**99,254**
Deferred gain on derivatives under hedge accounting	**36,817**	53,051	**243,824**
Foreign currency translation adjustments	**292,477**	186,545	**1,936,937**
Defined retirement benefit plans	**7,262**	1,985	**48,094**
Total	**1,687,134**	1,530,911	**11,173,074**
Noncontrolling interests	**18,211**	20,118	**120,606**
Total equity	**1,705,345**	1,551,029	**11,293,681**
Total liabilities and equity	**¥11,149,858**	¥10,726,196	**$73,840,120**

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Revenues (Notes 18, 23, and 29)	**¥1,950,583**	¥1,896,231	**$12,917,769**
Costs (Notes 2.t. and 23)	**1,570,487**	1,538,904	**10,400,579**
Gross profit	**380,095**	357,327	**2,517,189**
Selling, general, and administrative expenses (Note 19)	**233,919**	218,600	**1,549,132**
Operating income	**146,176**	138,727	**968,056**
Other income (expenses):			
Dividend income	**2,411**	1,907	**15,968**
Interest expense — net of interest income of ¥3,912 million ($25,909 thousand) in 2024 and ¥2,467 million in 2023 (Note 23)	**(7,149)**	(5,278)	**(47,347)**
Impairment loss (Note 10)		(479)	
Gain on sales of investment securities (Note 4)	**7,243**	2,996	**47,969**
Gain on sales of shares of subsidiaries and affiliates (Note 3.b.)	**5,306**		**35,142**
Gain on revaluation of investment securities (Note 20)		7,194	
Loss on sales of shares of subsidiaries and affiliates (Notes 3.c., 3.d., and 22)	**(1,032)**	(1,006)	**(6,840)**
Gain on step acquisition (Notes 3.a. and 21)	**4,822**	1,159	**31,935**
Other ─ net	**9,899**	7,942	**65,556**
Other income — net	**21,500**	14,436	**142,385**
Income before income taxes	**167,676**	153,164	**1,110,441**
Income taxes (Note 24)**:**			
Current	**27,215**	24,941	**180,237**
Deferred	**15,797**	10,510	**104,621**
Total income taxes	**43,013**	35,451	**284,858**
Net income	**124,663**	117,712	**825,583**
Net income attributable to noncontrolling interests	**820**	1,471	**5,432**
Net income attributable to owners of the parent	**¥123,842**	¥116,241	**$820,150**

	Yen		U.S. dollars
	2024	2023	**2024**
Amounts per share of common stock (Note 30)**:**			
Basic net income	**¥86.30**	¥80.95	**$0.57**
Diluted net income	**86.06**	80.71	**0.56**
Cash dividends applicable to the year	**37.00**	33.00	**0.24**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Net income	**¥124,663**	¥117,712	**$825,583**
Other comprehensive income (Note 28)**:**			
Net unrealized gain (loss) on available-for-sale securities	**140**	(463)	**930**
Deferred (loss) gain on derivatives under hedge accounting	**(18,484)**	39,631	**(122,412)**
Foreign currency translation adjustments	**104,217**	93,891	**690,181**
Defined retirement benefit plans	**4,992**	1,854	**33,065**
Share of other comprehensive income in associates	**4,692**	12,510	**31,075**
Total other comprehensive income	**95,558**	147,424	**632,840**
Comprehensive income	**¥220,222**	¥265,136	**$1,458,424**
Total comprehensive income attributable to:			
Owners of the parent	**¥218,986**	¥262,934	**$1,450,242**
Noncontrolling interests	**1,235**	2,202	**8,181**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2023

	Thousands				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, APRIL 1, 2022 (as restated)	1,466,912	¥33,196	¥548,586	¥1,861	¥638,043
Net income attributable to owners of the parent					116,241
Cash dividends					(43,087)
Purchase of treasury stock (689 shares)					
Disposal of treasury stock (338,589 shares)			(49)		
Change in ownership interest due to merger between consolidated and unconsolidated subsidiaries					(206)
Change in ownership of the parent due to transaction with noncontrolling shareholders			(1,191)		
Net change in the year				276	
BALANCE, MARCH 31, 2023 (APRIL 1, 2023, as previously reported)	**1,466,912**	**33,196**	**547,344**	**2,138**	**710,989**
Cumulative effect of accounting change					**(7,957)**
BALANCE, APRIL 1, 2023 (as restated) (Note 2.r.)	**1,466,912**	**33,196**	**547,344**	**2,138**	**703,032**
Net income attributable to owners of the parent					**123,842**
Cash dividends					**(51,723)**
Purchase of treasury stock (596 shares)					
Disposal of treasury stock (612,200 shares)			**(109)**		
Change in ownership of the parent due to transaction with noncontrolling shareholders			**(966)**		
Net change in the year				**(271)**	
BALANCE, MARCH 31, 2024	**1,466,912**	**¥33,196**	**¥546,268**	**¥1,866**	**¥775,152**

	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, MARCH 31, 2023 (APRIL 1, 2023, as previously reported)	**$219,841**	**$3,624,800**	**$14,158**	**$4,708,542**
Cumulative effect of accounting change				**(52,698)**
BALANCE, APRIL 1, 2023 (as restated) (Note 2.r.)	**219,841**	**3,624,800**	**14,158**	**4,655,844**
Net income attributable to owners of the parent				**820,150**
Cash dividends				**(342,536)**
Purchase of treasury stock (596 shares)				
Disposal of treasury stock (612,200 shares)		**(726)**		
Change in ownership of the parent due to transaction with noncontrolling shareholders		**(6,399)**		
Net change in the year			**(1,796)**	
BALANCE, MARCH 31, 2024	**$219,841**	**$3,617,674**	**$12,362**	**$5,133,458**

See notes to consolidated financial statements.

	Millions of yen						
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
¥(19,369)	¥15,347	¥1,460	¥92,776	¥123	¥1,312,025	¥21,835	¥1,333,861
					116,241		116,241
					(43,087)		(43,087)
211					161		161
					(206)		(206)
					(1,191)		(1,191)
	(529)	51,591	93,769	1,861	146,969	(1,717)	145,252
(19,158)	**14,817**	**53,051**	**186,545**	**1,985**	**1,530,911**	**20,118**	**1,551,029**
					(7,957)		**(7,957)**
(19,158)	**14,817**	**53,051**	**186,545**	**1,985**	**1,522,953**	**20,118**	**1,543,072**
					123,842		**123,842**
					(51,723)		**(51,723)**
(2,134)					**(2,134)**		**(2,134)**
398					**288**		**288**
					(966)		**(966)**
	169	**(16,234)**	**105,931**	**5,276**	**94,872**	**(1,906)**	**92,965**
¥(20,894)	**¥14,987**	**¥36,817**	**¥292,477**	**¥7,262**	**¥1,687,134**	**¥18,211**	**¥1,705,345**

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
($126,876)	**$98,132**	**$351,335**	**$1,235,402**	**$13,148**	**$10,138,485**	**$133,235**	**$10,271,721**
					(52,698)		**(52,698)**
(126,876)	**98,132**	**351,335**	**1,235,402**	**13,148**	**10,085,786**	**133,235**	**10,219,022**
					820,150		**820,150**
					(342,536)		**(342,536)**
(14,133)					**(14,133)**		**(14,133)**
2,636					**1,910**		**1,910**
					(6,399)		**(6,399)**
	1,121	**(107,510)**	**701,535**	**34,945**	**628,295**	**(12,628)**	**615,667**
($138,372)	**$99,254**	**$243,824**	**$1,936,937**	**$48,094**	**$11,173,074**	**$120,606**	**$11,293,681**

Consolidated Statements of Cash Flows

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	**2024**
Operating activities:			
Income before income taxes	**¥167,676**	¥153,164	**$1,110,441**
Adjustment for:			
Income taxes — paid	**(7,852)**	(53,800)	**(52,006)**
Depreciation and amortization	**349,319**	350,108	**2,313,374**
Reversal of allowance for doubtful receivables	**(11,845)**	(13,265)	**(78,448)**
Loss on disposals and sales of leased assets	**213,422**	165,768	**1,413,394**
(Gain) loss on sales of shares of subsidiaries and affiliates	**(4,273)**	1,006	**(28,301)**
Gain on revaluation of investment securities		(7,194)	
Gain on sales of investment securities	**(6,947)**	(2,996)	**(46,008)**
Gain on step acquisition	**(4,822)**	(1,159)	**(31,935)**
Changes in assets and liabilities:			
Decrease (increase) in receivables	**31,745**	(61,325)	**210,233**
Decrease in lease receivables and investments in leases	**64,179**	23,458	**425,031**
(Increase) decrease in operating securities and investments in private equity securities	**(9,530)**	14,385	**(63,114)**
Increase (decrease) in trade payables	**10,924**	(22,646)	**72,350**
Increase in interest payable	**2,211**	4,185	**14,645**
Purchases of leased assets	**(884,863)**	(479,501)	**(5,860,025)**
Purchases of other operating assets	**(21,718)**	(16,629)	**(143,830)**
Other — net	**63,245**	(6,803)	**418,845**
Total adjustments	**(216,805)**	(106,411)	**(1,435,796)**
Net cash (used in) provided by operating activities	**(49,128)**	46,752	**(325,354)**
Investing activities:			
Purchases of own-used assets	**(7,532)**	(8,793)	**(49,886)**
Proceeds from sales of own-used assets		738	
Purchases of investment securities	**(2,965)**	(9,981)	**(19,635)**
Proceeds from sales and redemption of investment securities	**23,412**	20,302	**155,048**
Payments for sales of consolidated subsidiaries	**(849)**	(14,157)	**(5,626)**
Proceeds from sales of consolidated subsidiaries	**12,167**	2,816	**80,580**
Payments for acquisition of newly consolidated subsidiaries	**(8,659)**	(4,677)	**(57,345)**
Payments into time deposits	**(60,714)**	(252,427)	**(402,080)**
Proceeds from withdrawal of time deposits	**186,516**	139,045	**1,235,210**
Other — net	**1,960**	(186)	**12,985**
Net cash provided by (used in) investing activities	**143,336**	(127,322)	**949,250**
Financing activities:			
Net (decrease) increase in short-term loans	**(205,345)**	80,025	**(1,359,902)**
Net increase (decrease) in commercial paper	**204,526**	(130,161)	**1,354,479**
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	**304,665**	519,089	**2,017,651**
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	**(369,364)**	(407,007)	**(2,446,120)**
Proceeds from long-term loans	**1,212,669**	1,065,363	**8,030,927**
Repayments of long-term loans	**(1,097,132)**	(990,689)	**(7,265,781)**
Proceeds from issuance of bonds	**494,368**	361,330	**3,273,963**
Redemption of bonds	**(704,767)**	(463,710)	**(4,667,333)**
Cash dividends paid	**(51,723)**	(43,087)	**(342,536)**
Cash dividends paid to noncontrolling shareholders	**(3,227)**	(2,552)	**(21,371)**
Proceeds from share issuance to noncontrolling shareholders	**385**	7,282	**2,552**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(1,834)**	(3,553)	**(12,147)**
Other — net	**(6,199)**	(1,276)	**(41,054)**
Net cash used in financing activities	**(222,977)**	(8,948)	**(1,476,673)**
Foreign currency translation adjustments on cash and cash equivalents	**3,589**	29,816	**23,774**
Net decrease in cash and cash equivalents	**(125,179)**	(59,701)	**(829,003)**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries		104	
Cash and cash equivalents, beginning of year	**460,486**	520,083	**3,049,580**
Cash and cash equivalents, end of year	**¥335,307**	¥460,486	**$2,220,576**

See notes to consolidated financial statements.

Additional information

Transfer of DFL Lease Co., Ltd. ("DFL Lease") (Note 3.b.)

Proceeds from sales of consolidated subsidiaries mainly consist of the transfer of DFL Lease.
On January 4, 2024, the Company transferred entire shares of DFL Lease according to the share transfer agreement executed on November 8, 2023.

Reconciliation of the net cash paid for the transfer of DFL Lease is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2024	2024
Current assets	¥64,067	$424,286
Fixed assets	3,866	25,604
Current liabilities	(35,888)	(237,671)
Long-term liabilities	(27,390)	(181,394)
Noncontrolling interests	(931)	(6,165)
Gain on sales of shares of subsidiaries and affiliates	1,475	9,770
Transfer amount	5,199	34,432
Cash and cash equivalents	(373)	(2,476)
Net cash received from transfer of shares of DFL Lease	¥4,825	$31,956

Transfer of Shutoken Leasing Co., Ltd. ("Shutoken Leasing") (Note 3.c.)

Payments for sales of consolidated subsidiaries mainly consist of the transfer of Shutoken Leasing.
On January 4, 2024, the Company transferred entire shares of Shutoken Leasing according to the share transfer agreement executed on November 8, 2023.

Reconciliation of the net cash paid for the transfer of Shutoken Leasing is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2024	2024
Current assets	¥158,247	$1,047,995
Fixed assets	6,870	45,503
Current liabilities	(95,434)	(632,016)
Long-term liabilities	(63,124)	(418,043)
Net unrealized loss on available-for-sale securities	(319)	(2,115)
Noncontrolling interests	(1,921)	(12,722)
Loss on sales of shares of subsidiaries and affiliates	(847)	(5,614)
Transfer amount	3,470	22,982
Cash and cash equivalents	(4,172)	(27,630)
Net cash paid for transfer of shares of Shutoken Leasing	¥(701)	$(4,647)

Transfer of Diamond Asset Finance Company Limited ("Diamond Asset Finance") (Note 3.d.)

Payments for sales of consolidated subsidiaries mainly consist of the transfer of Diamond Asset Finance.
On March 24, 2023, the Company transferred entire shares of Diamond Asset Finance according to the share transfer agreement executed on December 23, 2022.

Reconciliation of the net cash paid for the transfer of Diamond Asset Finance is as follows:

	Millions of yen
	2023
Current assets	¥198,411
Fixed assets	8,709
Current liabilities	(70,312)
Long-term liabilities	(129,403)
Loss on sales of shares of subsidiaries and affiliates	(1,006)
Transfer amount	6,400
Cash and cash equivalents	(20,557)
Net cash paid for transfer of shares of Diamond Asset Finance	¥(14,157)

Exclusion of Mitsubishi HC Capital Auto-Lease Corporation ("Mitsubishi HC Capital Auto-Lease") from scope of consolidation (Note 3.e.)

Mitsubishi HC Capital Auto-Lease increased capital through third-party allotment. As a result, the Company excluded Mitsubishi HC Capital Auto-Lease from scope of consolidation and applied equity method.

Details of assets and liabilities of Mitsubishi HC Capital Auto-Lease at the exclusion from scope of consolidation are as follows:

	Millions of yen
	2023
Current assets (*)	¥47,235
Fixed assets	53,758
Total assets	¥100,993
Current liabilities	¥86,062
Long-term liabilities	410
Total liabilities	¥86,472

(*) Cash and cash equivalents of ¥112 million is included. The amount of difference from paid-in capital from noncontrolling shareholders of ¥ 7,394 million is ¥7,282 million, which was recorded as proceeds from share issuance to noncontrolling shareholders in consolidated statement of cash flows.

Notes to Consolidated Financial Statements

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries

Years ended March 31, 2024 and 2023

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi HC Capital Inc. (the "Company") and its consolidated subsidiaries (collectively, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2023 consolidated financial statements to conform to the classifications used in 2024.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151 to USD1, the approximate rate of exchange at March 31, 2024.

Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen and U.S. dollar figures less than thousand dollars are rounded down to the nearest million yen and thousand dollars, except for per share data. As a result, totals in millions of yen and thousands of U.S. dollars may not add up exactly.

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of and for the year ended March 31, 2024, include the accounts of the Company and its 245 (254 in 2023) significant subsidiaries.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in one (one in 2023) unconsolidated subsidiary and 67 (70 in 2023) associated companies are accounted for by the equity method.

In September 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 20, *Practical Solution Application of Control Criteria and Influence Criteria to Investment Associations*. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, silent partnerships, and other entities with similar characteristics. The Company applied this practical solution and consolidated 66 such collective investment vehicles in 2024 (54 in 2023).

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is shown as "Goodwill" in "Investments and other assets." Goodwill is amortized using the straight-line method over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All the material unrealized profit included in assets resulting from transactions within the Companies is also eliminated.

The fiscal years of the subsidiaries are not necessarily the same as the Company's. Accounts of those subsidiaries that have different fiscal periods have been adjusted for significant transactions to reflect properly their financial positions at March 31 of each year and the results of operations for the years then ended. Certain subsidiaries have prepared provisional statements of accounts, prepared in the equivalent way as the year-end closing, as of March 31, 2024.

If a consolidated foreign subsidiary prepares the financial statements in accordance with IFRS Accounting Standards or Generally Accepted Accounting Principles in the United States ("U.S. GAAP"), the financial statements are used in consolidation.

If a consolidated foreign subsidiary prepares the financial statements in accordance with the generally accepted accounting standards in its residing country other than IFRS Accounting Standards or U.S. GAAP, the financial statements are adjusted in accordance with IFRS Accounting Standards.

b. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements, provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary, while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition, and bank overdrafts (negative cash equivalents) that are utilized in a similar manner to other cash equivalents in fund management. Time deposits in trust, restricted for payment of maintenance of leased assets and reserved to refund security deposits under lease contracts to lessees, are not included in cash equivalents.

d. Lease Accounting — In March 2007, the ASBJ issued ASBJ Statement No. 13, *Accounting Standard for Lease Transactions*, which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessee — Finance leases that are deemed to transfer ownership of the leased property to the lessee are capitalized. However, under the previous accounting standard, other finance leases were permitted to be accounted for as operating lease transactions if certain "as-if capitalized" information was disclosed in the notes to the lessee's consolidated financial statements. In principle, the revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets, but it permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008.

Lessor — Finance leases that are deemed to transfer ownership of the leased property to the lessee are to be treated as sales. However, under the previous accounting standard, other finance leases were permitted to be accounted for as operating lease transactions if certain "as-if sold" information was disclosed in the notes to the lessor's consolidated financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as "lease receivables" and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as "investments in leases."

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. The leased assets are initially recorded at their acquisition cost and depreciated over the term of the lease or estimated useful lives on a straight-line basis to the residual value that is the amount to be realized at the time when the lease contract is terminated.

Effective April 1, 2022, certain consolidated foreign subsidiaries applied Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-02 *Leases.*

As a result, in principle, all leases were recorded as assets and liabilities in the consolidated balance sheets for the lease transactions of lessees in certain consolidated foreign subsidiaries.

The effects of this change on the consolidated financial statements were immaterial.

e. Revenue Recognition

Finance Leases — The Companies recognize lease revenues and related costs over the lease term. Interest revenues on finance lease contracts are calculated by the interest method after April 1, 2008, and by the straight-line method prior to April 1, 2008, over the remaining lease period.

Operating Leases — The Companies recognize lease revenues on a straight-line basis over the lease term based on the minimum rentals on the lease contracts. At disposal of leased assets, disposal value and disposal cost were recognized separately as revenues and costs by the Company and its consolidated domestic subsidiaries.

Installment Sales — In accordance with *Treatment of Installment Sales Transactions* as prescribed by *Tentative Accounting and Auditing Treatment Regarding Application of Accounting Standard for Financial Instruments to Leasing Industry* (Japanese Institute of Certified Public Accountants Industry Auditing Committee Report No. 19, November 14, 2000), the Companies recognize the gross amount of receivables as receivables-installment sales at the time of execution of the installment sales contract, and record revenues and related costs from installment sales depending on the relevant elapsed period based on payment dates of installment sales contract. Unrealized profit in relation to receivables-installment sales that have not come due is deferred and recorded as deferred profit on installment sales.

The Companies follow the industry practice of including receivables-installment sales due after one year in current assets. Receivables due after one year amounted to ¥113,577 million ($752,169 thousand) in 2024 and ¥151,286 million in 2023.

Revenue from Contracts with Customers — The Companies recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. The nature of performance obligations for each of the Companies’ major businesses and when such obligations are satisfied are as follows:

Sales from Maintenance Contracts

The Companies provide maintenance and similar services, which are attached to lease contracts. Revenue is recognized at the time such services are provided to customers.

Sales from Selling Merchandise and Sales from Disposal of Lease Properties

With regard to sales from selling merchandise and sales from disposal of lease properties at maturity of lease contracts of foreign subsidiaries, that adopted IFRS Accounting Standards or U.S. GAAP, revenue is recognized at the time of completing delivery of merchandise and lease properties to customers.

Electricity Sales

Revenue is recognized by calculating sales of electricity for the applicable reporting period based on electricity supply volumes to customers.

f. Marketable and Investment Securities — All securities are classified as available-for-sale securities. Available-for-sale securities, other than nonmarketable available-for-sale equity securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale equity securities are mainly stated at cost determined by the moving-average method.

The Company reviews the fair value of its available-for-sale securities on a regular basis to determine if the fair value of any individual security has declined below its cost and if such decline is other than temporary. If the decline in value is judged to be other than temporary, the security is written down to fair value. The resulting realized loss is recorded as other – net in other income (expenses) included in the consolidated statements of income in the period in which the decline was deemed to be other than temporary.

Investments in limited partnerships, which are considered securities under Article 2, Clause 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest consolidated financial statements available on the reportable date ruled by the partnership contracts.

In addition, investments in partnerships, etc., invested by certain consolidated foreign subsidiaries are recorded under the equity method and based on valuation of fair value that each of the invested entities recognized.

The Companies have operating securities to gain interest or dividend income. The amount of operating securities included in "Marketable securities" and "Investment securities" was ¥763 million ($5,054 thousand) and ¥160,977 million ($1,066,078 thousand), respectively, as of March 31, 2024, and ¥2,199 million and ¥156,907 million, respectively, as of March 31, 2023. In addition, the Companies record income from those securities as "Revenues" in the consolidated statements of income.

Effective April 1, 2022, the Company applied *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31, June 17, 2021) (the "New Guidance").

According to the transitional treatment in Paragraph 27-2 of the New Guidance, the Company applied the New Guidance prospectively.

As a result of this change, the effects on the consolidated financial statements were immaterial.

g. Inventories — Inventories held for sale in the ordinary course of business are stated at the lower of cost, which is determined by the specific identification method, or net selling value, which is defined as the selling price, less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

h. Property and Equipment

Leased Assets — See Note 2.d.

Other Operating Assets — Property and equipment held for the Companies' operating use other than leased assets are stated at cost. Depreciation is computed based on the estimated useful lives of the assets under the straight-line method.

Own-Used Assets — Property and equipment held for the Companies' own use are stated at cost. Depreciation is computed based on the estimated useful lives of the assets under the declining-balance method, while the straight-line method is applied to buildings, leasehold improvements, and structures acquired after April 1, 2016, by the Company and its consolidated domestic subsidiaries. Depreciation is primarily computed based on the estimated useful lives of the assets under the straight-line method by consolidated foreign subsidiaries.

i. Long-Lived Assets — The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows ("DCF") from the continued use and eventual disposition of the asset, or the net selling price at disposition.

j. Allowance for Doubtful Receivables — The Company classifies the receivables into receivables from the counterparties not in bankruptcy but in financial difficulties ("doubtful claims"), receivables from the counterparties in bankruptcy ("bankrupt claims"), and the other receivables ("general claims") based on the credit information, such as the financial condition and payment history of the counterparties.

For the general claims, the allowance for doubtful receivables is provided based on the historical rate of credit losses. For the doubtful claims and bankrupt claims, the allowance for doubtful receivables is provided based on the estimated uncollectible amounts taking into account the collectability of each receivable.

The amounts of long-term receivables considered uncollectible were directly written off from the accounts. The amounts directly written off were ¥6,836 million ($45,275 thousand) and ¥16,770 million at March 31, 2024 and 2023, respectively.

In addition, the consolidated foreign subsidiaries that adopted IFRS Accounting Standards record allowance for doubtful receivables by estimating their expected credit losses for 12 months or lifetime based on the loss rate, etc., that is adjusted considering current and future economic conditions, mainly depending on the historical credit loss.

The consolidated foreign subsidiaries that adopted U.S. GAAP record allowance for doubtful receivables by measuring their expected credit losses for the estimated remaining contractual periods based on the loss rate, etc., that is adjusted considering current and future economic conditions, mainly depending on the historical credit loss.

k. Retirement and Pension Plans

Employees' Retirement Benefits — The Company and certain consolidated subsidiaries have defined benefit corporate pension plans for employees or unfunded retirement benefit plans.

The liability for retirement benefits of the Company and a certain consolidated subsidiary is computed based on projected benefit obligations and plan assets at the consolidated balance sheets date, while the liability for retirement benefits of the other subsidiaries is provided at 100% of the amount that would be required if all employees had retired at the consolidated balance sheets date.

Assumptions were set forth as follows:

Method of attributing expected retirement benefit to periods	Benefit formula basis method
Amortization period of prior service cost	14 to 15 years (14 to 15 years in 2023)
Recognition period of actuarial gain/loss	7 to 17 years (7 to 20 years in 2023)

l. Asset Retirement Obligations — An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the DCFs required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Stock Options — The cost of stock options are measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheets, stock options are included in stock acquisition rights as a separate component of equity until exercised.

The Company introduced the performance-based share remuneration plan for directors during the year ended March 31, 2024. The dividend amounts include dividends to the Company's shares held by the trust for the performance-based share remuneration plan.

n. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the currently enacted tax laws to the temporary differences.

o. Translation of Foreign Currency Accounts

Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheets date or, for hedged transactions, the applicable exchange rates. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged.

However, assets and liabilities denominated in foreign currencies covered by foreign exchange forward contracts and others are translated into Japanese yen at the contract amounts.

Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the fiscal year. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

p. Derivative and Hedging Activities — The Companies enter into foreign exchange forward contracts and cross-currency interest rate swap contracts mainly to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts, interest rate cap contracts, and currency interest rate swaps to manage their interest rate risk and foreign currency exposures on certain assets and liabilities. The Company also utilizes foreign currency-denominated debt to manage its foreign currency exposures associated with the net investments in the foreign subsidiaries and affiliates and available-for-sale securities denominated in foreign currencies.

Almost all derivative transactions are utilized to hedge interest and foreign currency exposures incorporated within the Companies' businesses. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of the hedged assets or liabilities. The Companies do not hold or issue derivatives for trading or speculative purposes. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies, which regulate the authorization and credit limit amounts. Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

All derivative transactions, except for interest rate swaps and currency interest rate swaps that qualify for hedge accounting and meet specific matching criteria, are assessed for their hedging effectiveness to verify whether hedge instruments offset interest rate risk or foreign exchange risk of hedged items in application of hedge accounting.

Currency-related derivative transactions and foreign currency-denominated debt are utilized to hedge foreign exchange risk. Certain assets and liabilities denominated in foreign currencies are translated at the contracted rates if the contracts qualify for hedge accounting.

Interest rate swaps and currency interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value. Instead, the differential paid or received under the swap contracts is recognized and included in interest expense or income. Other interest rate swaps and currency interest rate swaps that qualify for hedge accounting are measured at fair value at the consolidated balance sheets date, and the unrealized gains or losses are deferred until maturity in a separate component of equity.

Special treatment of *Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR* (ASBJ Practical Solution No. 40, March 17, 2022) is applied to all hedging transactions that qualify for the application of the Practical Solutions. Details of hedging transactions for which the Practical Solutions are applied are as follows:

Method of hedge accounting:	Deferral method of hedge accounting or hedge accounting for interest rate swaps which meet specific matching criteria
Hedging instruments:	Interest rate swaps
Hedged items:	Borrowings
Types of hedging transactions:	To fix cash flows

q. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if the stock options were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding stock options.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

r. Accounting Change

Financial Instruments–Credit Losses (FASB ASU No. 2016-13)

Certain consolidated foreign subsidiaries applied ASU No. 2016-13, *Financial Instruments–Credit Losses*, from the year ended March 31, 2024. Allowance for doubtful receivables was recorded by measuring their expected credit losses throughout the estimated remaining credit periods at the initial recognition for the financial assets of the consolidated foreign subsidiaries. As a result, the retained earnings as of April 1, 2023, decreased by ¥7,957 million ($52,698 thousand). The effects of this change on the per share information for the year ended March 31, 2024, were immaterial.

s. Significant Accounting Estimates

Impairment of Leased Assets

The Companies review leased assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. When the Companies identified impairment indicators for leased assets, the carrying amounts of leased assets are reduced to their respective recoverable amounts and the differences between the carrying amounts and the recoverable amounts are recorded as impairment losses.

Future cash flows used in determining recoverable amounts are estimated mainly based on future lease rents, lease terms, residual values at maturity, and other information. The Companies believe that these estimates are reasonable; however, changes in assumptions used and business environment may have a material impact on the future consolidated financial statements.

As to the aircraft held by JSA International Holdings, L.P. group, which engaged in aircraft leasing business in the United States of America with leased assets of ¥1,289,006 million ($8,536,469 thousand) and ¥1,098,940 million at March 31, 2024 and 2023, respectively, the Companies regularly reviewed future cash flows and performed impairment evaluation in accordance with U.S. GAAP. The Companies compared the carrying amounts to the sum of the undiscounted future cash flows, and the amount by which the carrying value exceeded the fair value was recorded as an impairment loss for the assets where the carrying amount of aircraft exceeded the sum of the undiscounted future cash flows. Future cash flows were comprised of current lease rents, future lease rents, residual values at maturity, disposal costs, lease terms, off-lease periods, renewal lease term, and other factors. Future lease rents and residual values at maturity were based on appraisal results by appraisal companies, and disposal costs, lease terms, off-lease periods, and renewal periods were estimated based on historical experience and other information.

Impairment losses on aircraft of ¥1,998 million ($13,233 thousand) and ¥5,635 million were included in costs in the accompanying consolidated statements of income for the years ended March 31, 2024 and 2023, respectively.

Valuation of Goodwill

The Companies review goodwill for impairment whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. If the Companies identified impairment indicators for goodwill, the carrying amount of goodwill is reduced to its recoverable amount and the difference between the carrying amount and the recoverable amount is recorded as an impairment loss.

Future cash flows for the remaining amortization period of goodwill used in determining recoverable amounts are estimated mainly based on historical business results and business plans, which are developed by considering the outlook for the business environment and other information of the company related to goodwill under review. The Companies believe that these estimates are reasonable; however, changes in assumptions used and business environment may have a material impact on the future consolidated financial statements.

The Companies recorded ¥102,091 million ($676,099 thousand) and ¥91,497 million of goodwill as of March 31, 2024 and 2023, respectively.

Allowance for Doubtful Receivables

In accordance with the internal management policies, the Company classifies the receivables into the doubtful claims, bankrupt claims, and general claims based on the credit information, such as the financial condition and payment history of the counterparties. For the general claims, the allowance for doubtful receivables is provided based on the historical rate of credit losses. For the doubtful claims and bankrupt claims, the allowance for doubtful receivables is provided based on the estimated uncollectible amounts taking into account the collectability of each receivable.

The potential losses are measured based on financial condition of customers, estimated recoverable amount of collaterals, and future cash flows by the estimated cash flow method.

In addition, based on the expected credit loss model ("ECL"), the consolidated foreign subsidiaries that adopted IFRS Accounting Standards apply IFRS No. 9, *Financial Instruments*, and record allowance for doubtful receivables by estimating their expected credit losses for 12 months or lifetime based on the loss rate, etc., that is adjusted considering current and future economic conditions, mainly depending on the historical credit loss.

Based on the current expected credit loss model ("CECL"), the consolidated foreign subsidiaries that adopted U.S. GAAP apply ASU No. 2016-13, *Financial Instruments–Credit Losses*, and record allowance for doubtful receivables by measuring their expected credit losses for the estimated remaining contractual periods based on the loss rate, etc., that is adjusted considering current and future economic conditions, mainly depending on the historical credit loss.

The Companies believe that these estimates are reasonable; however, changes in assumptions used and business environment may have a material impact on the future consolidated financial statements.

The Companies recorded allowance for doubtful receivables of ¥95,357 million ($631,504 thousand) and ¥90,900 million as of March 31, 2024 and 2023, respectively.

t. Stock Compensation Plan for Directors —The Company has introduced a performance-based stock compensation plan (herein after, the "Plan") for Directors (excluding non-Executive Directors and non-residents in Japan) excluding Directors who are Audit & Supervisory Committee Members and Executive Officers, etc. (excluding non-residents in Japan; hereinafter, the Directors and the Executive Officers, etc. are collectively referred to as the "Director(s), etc.") as an incentive plan.

Outline of the Plan

The Plan is a stock compensation plan where the Company shares and cash equivalent to the conversion value of the Company shares (hereinafter, the "Company Shares, etc.") are delivered or paid (hereinafter, the "Delivery, etc.") to the Directors, etc., based on the achievement level of performance targets of the Medium-term Management Plan ("MTMP") of the Company. The Company entrusts money to a trust bank to acquire, in advance, the Company shares of which the Delivery, etc. will be conducted in the future, and the trust bank acquires the Company shares with the entrusted money. Furthermore, in accordance with the separately established company rules on share delivery, points are granted to the Directors, etc. and the Delivery, etc. of the Company Shares, etc. to the Directors, etc. is conducted according to the points.

Shares Held in the Trust

The Company shares held by the trust bank are accounted for as treasury stock in the equity section of the Company's consolidated balance sheets at the book value in the trust. The book value and number of treasury stock held by the trust bank as of March 31, 2024, was ¥2,318 million ($15,356 thousand) and 2,685 thousand shares, respectively.

3. Business Combinations

Acquisition

a. Acquisition of CenterPoint Development Inc.

The Company signed a share transfer agreement on April 14, 2023, to acquire all shares of CenterPoint Development Inc. ("CPD"), which provides Investment advisory and asset management services specializing in logistic real estate sector, a former associated company accounted for by the equity method. The acquisition of shares was completed on April 21, 2023.

1. Outline of the business combination

(1) Name and business of the acquired company
Name: CenterPoint Development Inc.
Business: investment advisory and asset management services specializing in the logistics real estate sector

(2) Main reason of the business combination
The logistics market continues to grow supported by increasing demand due to the expansion of domestic e-commerce and the leasing market for logistics facilities has also been strong. E-commerce is expected to continue to expand in the future and there is a growing need for response to labor saving and automation, integration and reconstruction of facilities due to deterioration and obsolescence, and locations with excellent transportation convenience. Under such circumstances, the Company decided to make CPD a wholly owned subsidiary, which engages in development of logistics facilities that meet the needs of companies and asset management business specializing in these areas, in order to strengthen and expand the logistics facility-related business of the group.

(3) Date of the business combination
April 21, 2023

(4) Legal form of the business combination
Acquisition in exchange for cash

(5) Company name after the business combination
CenterPoint Development Inc. (remains the same)

(6) The percentage of voting rights acquired

Voting ratio held immediately before the business combination	33.4%
Voting ratio after the acquisition	100.0%

(7) Background for determining the acquiring company
The reason is because the Company acquired all voting rights of CPD for cash consideration.

2. The period for which the operations of the acquired company are included in the Company's consolidated statement of income for the year ended March 31, 2024

The fiscal year end of the acquired company is December 31, which is different for three months from the Company's fiscal year end for consolidation. The results of operations for the period from April 1, 2023, to December 31, 2023, are included in the consolidated statement of income for the period ended March 31, 2024, since the deemed acquisition date for the business combination is April 1, 2023.

The portion of the results of operations attributable to the Company for the period from January 1, 2023, to March 31, 2023, is recorded as equity in earnings of affiliates.

3. Details of acquisition cost and consideration by type

	Millions of yen	Thousands of U.S. dollars
Fair value of stocks held immediately before the business combination date	**¥4,109**	**$27,214**
Fair value of stocks additionally purchased on the business combination date	**11,499**	**76,155**
Acquisition cost	**¥15,608**	**$103,369**

4. Details and amount of major acquisition-related cost

	Millions of yen	Thousands of U.S. dollars
Fees and commissions for advisory services, etc.	**¥91**	**$606**

5. The difference between acquisition cost of the acquired company and the total in acquisition costs by transaction

	Millions of yen	Thousands of U.S. dollars
Gain on step acquisition	**¥3,067**	**$20,314**

6. The amount of goodwill recognized and reason for recognition

(1) The amount of goodwill
¥13,207 million ($87,469 thousand)

(2) Reason for the goodwill recognized
Due to the expected excess earnings power expected from future business development.

(3) Method and period of amortization
Straight-line amortization over 20 years

7. Details of assets acquired and liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥1,931**	**$12,789**
Property and equipment, and Investments and other assets	**2,113**	**13,999**
Total assets	**¥4,045**	**$26,788**
Current liabilities	**¥778**	**$5,153**
Long-term liabilities	**865**	**5,734**
Total liabilities	**¥1,644**	**$10,888**

8. Estimated impact on the consolidated statement of income for the year ended March 31, 2024, assuming the business combination was completed at the beginning of the current fiscal year

There is no impact since the deemed acquisition date coincides with the beginning of the fiscal year ended March 31, 2024.

Business Divestitures
b. Transfer of DFL Lease

At the meeting of the Board of Directors held on November 8, 2023, the Company resolved to sell all shares of DFL Lease, a consolidated subsidiary of the Company, and signed a share transfer agreement on the same day. The share transfer was completed on January 4, 2024.

(1) Outline of the share transfer

(a) Name and business of the subsidiary

Name: DFL Lease Company Limited
Business: General leasing business using Resona group as the main distribution channel

(b) Name of the counterparty of the share transfer
Resona Holdings, Inc.

(c) Reason for the share transfer

The Company made DFL Lease its consolidated subsidiary in 2004, and has been providing various financing solutions, mainly to the customers of Resona group through DFL Lease. DFL Lease became the equity-method affiliated company of Resona Holdings, Inc. ("Resona HD") in July 2018, and collaborating with Resona HD, DFL Lease has been providing diverse service solution held by the Companies to Resona group.

The Company made a decision that it will be meaningful for DFL Lease to encourage further collaboration with Resona HD to further expand the business of DFL Lease by utilizing the customer base and network of Resona group and executed the share transfer agreement.

The Companies have launched the "MTMP for FY2023 - FY2025" and have undertaken the business portfolio transformation including the strategic allocation of management resources and optimization of business process within the Companies toward realizing "Our 10-year Vision," and this share transfer is conducted as a part of the transformation.

(d) Date of the share transfer

January 4, 2024

(e) Method of the share transfer

Share transfer agreement in exchange for cash

(2) Outline of accounting treatment

(a) Amount of gain on sales of shares

¥1,475 million ($9,770 thousand)

(b) Appropriate book value of the assets and liabilities related to the transferred business and its breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥64,067**	**$424,286**
Property and equipment, and Investments and other assets	**3,866**	**25,604**
Total assets	**¥67,933**	**$449,891**
Current liabilities	**¥35,888**	**$237,671**
Long-term liabilities	**27,390**	**181,394**
Total liabilities	**¥63,278**	**$419,065**

(c) Accounting treatment

The Company presented the difference between the book value and the transfer price of DFL Lease as a gain on sales of shares of subsidiaries and affiliates in other income (expenses) in the consolidated financial statements for the year ended March 31, 2024.

(3) Name of the main segment in which the subsidiary's business was included in the Company's segment information

Customer Solutions

(4) Estimated amount of profits and losses related to the business included in the consolidated statement of income for the year ended March 31, 2024

	Millions of yen	Thousands of U.S. dollars
Revenues	**¥14,364**	**$95,125**
Operating income	**608**	**4,026**

c. Transfer of Shutoken Leasing

At the meeting of the Board of Directors held on November 8, 2023, the Company resolved to sell all shares of Shutoken Leasing, a consolidated subsidiary of the Company, and signed a share transfer agreement on the same day. The share transfer was completed on January 4, 2024.

(1) Outline of the share transfer

(a) Name and business of the subsidiary

Name: Shutoken Leasing Company Limited
Business: General leasing business using Resona group as the main distribution channel

(b) Name of the counterparty of the share transfer
Resona Holdings, Inc.

(c) Reason for the share transfer
The Company made Shutoken Leasing its consolidated subsidiary in 2004, and has been providing various financing solutions, mainly to the customers of Resona group through Shutoken Leasing. Shutoken Leasing became the equity-method affiliated company of Resona HD in July 2018, and collaborating with Resona HD, Shutoken Leasing has been providing diverse service solutions held by the Companies to Resona group.

The Company made a decision that it will be meaningful for Shutoken Leasing to encourage further collaboration with Resona HD to further expand the business of Shutoken Leasing by utilizing the customer base and network of Resona group and executed the share transfer agreement.

The Companies have launched the “MTMP for FY2023 - FY2025” and have undertaken the business portfolio transformation including the strategic allocation of management resources and optimization of business process within the Companies toward realizing “Our 10-year Vision,” and this share transfer is conducted as a part of the transformation.

(d) Date of the share transfer
January 4, 2024

(e) Method of the share transfer
Share transfer agreement in exchange for cash

(2) Outline of accounting treatment

(a) Amount of loss on sales of shares
¥847 million ($5,614 thousand)

(b) Appropriate book value of the assets and liabilities related to the transferred business and its breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥158,247	$1,047,995
Property and equipment, and Investments and other assets	6,870	45,503
Total assets	¥165,118	$1,093,498
Current liabilities	¥95,434	$632,016
Long-term liabilities	63,124	418,043
Total liabilities	¥158,559	$1,050,060

(c) Accounting treatment
The Company presented the difference between the book value and the transfer price of Shutoken Leasing as a loss on sales of shares of subsidiaries and affiliates in other income (expenses) in the consolidated financial statements for the year ended March 31, 2024.

(3) Name of the main segment in which the subsidiary's business was included in the Company's segment information
Customer Solutions

(4) Estimated amount of profits and losses related to the business included in the consolidated statement of income for the year ended March 31, 2024

	Millions of yen	Thousands of U.S. dollars
Revenues	¥37,624	$249,165
Operating income	1,247	8,263

d. Transfer of Diamond Asset Finance

At the meeting of the Board of Directors held on December 23, 2022, the Company resolved to sell all shares of Diamond Asset Finance, a consolidated subsidiary of the Company, and signed a share transfer agreement on the same day. The share transfer was completed on March 24, 2023.

(1) Outline of the share transfer

(a) Name and business of the subsidiary

Name: Diamond Asset Finance Company Limited
Business: Corporate financing for real estate, personal loans for real estate investments, real estate leasing

(b) Name of the counterparty of the share transfer
Parle G.K.
Wholly owned subsidiary of Emerald G.K., which is held in silent partnership with Japan Revival Sponsor Fund Ⅳ LLP. Japan Revival Sponsor Fund Ⅳ LLP is operated and managed by Keystone Partners Co., Ltd.

(c) Reason for the share transfer
The Company established Our 10-year Vision, "Together we innovate, challenge, and explore the frontiers of the future," and aims to achieve this vision by promoting "CX (Corporate Transformation / Customer Experience)" through "SX (Sustainability Transformation)", "DX (Digital Transformation)", and "Business Portfolio Transformation."

For "Business Portfolio Transformation", the Company will strive to achieve an optimal portfolio for the medium to long term growth based on "Developing new businesses", "Shifting existing business to high value-added services", and "Enhancing profitability and efficiency of existing businesses." As a part of this effort, the Company decided to transfer the shares of Diamond Asset Finance, a subsidiary of the Company specialized in real estate related businesses, in order to concentrate resources on focused businesses and improve profitability in the real estate sector.

(d) Date of the share transfer
March 24, 2023

(e) Method of the share transfer
Share transfer agreement in exchange for cash

(2) Outline of accounting treatment

(a) Amount of loss on sales of shares
¥1,006 million

(b) Appropriate book value of the assets and liabilities related to the transferred business and its breakdown

	Millions of yen
Current assets	¥198,411
Property and equipment, and Investments and other assets	8,709
Total assets	¥207,120
Current liabilities	¥70,312
Long-term liabilities	129,403
Total liabilities	¥199,715

(c) Accounting treatment
The Company presented the difference between the book value and the transfer price of Diamond Asset Finance as a loss on sales of shares of subsidiaries and affiliates in other income (expenses) in the consolidated financial statements for the year ended March 31, 2023.

(3) Name of the main segment in which the subsidiary's business was included in the Company's segment information
Real Estate

(4) Estimated amount of profits and losses related to the business included in the consolidated statement of income for the year ended March 31, 2023

	Millions of yen
Revenues	¥22,282
Operating income	5,390

e. Exclusion of Mitsubishi HC Capital Auto-Lease from scope of consolidation due to capital increase through third-party allotment

Mitsubishi HC Capital Auto-Lease, a consolidated subsidiary of the Company, increased capital by a third-party allotment, with Mitsubishi Corporation as allotee. The payment was completed on March 29, 2023.

As a result, the Company excluded Mitsubishi HC Capital Auto-Lease from the scope of consolidation and applied equity method due to the decrease in the Company's holding ratio.

(1) Outline of the Business Divestitures

(a) Name of the subsidiary
Mitsubishi HC Capital Auto-Lease Corporation

(b) Business of the subsidiary
Car leasing and car maintenance

(c) Reason for the Business Divestitures
Mobility industry entered a phase of major change and solutions to social challenges, such as reducing the effect on the environment, efficiency in logistics and flow of people, safety improvement, constraint-free transfer, are required.

Especially promoting the use of an eco-car to achieve carbon-neutral is the critical goal of the entire industry, when the Japanese government defined that new car sales in domestic market should be 100% switched to electric vehicle by 2035 as the government target.

In these circumstances, Mitsubishi HC Capital Auto-Lease increased its capital through the third-party allotment, with Mitsubishi Corporation as allotee. Also, Mitsubishi Auto Leasing Corporation ("Mitsubishi Auto Leasing") and Mitsubishi HC Capital Auto-Lease completed the merger, with Mitsubishi Auto Leasing as the surviving company on April 1, 2023, according to the merger agreement.

The Company and Mitsubishi Corporation continue to build and provide efficient, highly convenient, and global environmentally conscious mobility services through joint operation of Mitsubishi Auto Leasing to meet clients' needs and social expectations.

(d) Date of the Business Divestitures
March 29, 2023

(e) Method and legal form of the Business Divestitures
Issuing new shares and disposal of treasury stock through a third-party allotment with Mitsubishi Corporation as allotee

(2) Outline of accounting treatment

(a) Amount of gain on change in ownership interest
The effects of this change on the consolidated financial statements were immaterial.

(b) Appropriate book value of the assets and liabilities related to the Business Divestitures and its breakdown

	Millions of yen
Current assets	¥47,235
Property and equipment, and Investments and other assets	53,758
Total assets	¥100,993
Current liabilities	¥86,062
Long-term liabilities	410
Total liabilities	¥86,472

(c) Accounting treatment
The Company presented the difference between the book value and the paid-in amount of Mitsubishi HC Capital Auto-Lease as other - net in other income (expenses) in the consolidated financial statements for the year ended March 31, 2023.

(3) Name of the main segment in which the subsidiary's business was included in the Company's segment information
Mobility

(4) Estimated amount of profits and losses related to the business included in the consolidated statement of income for the year ended March 31, 2023

	Millions of yen
Revenues	¥53,085
Operating income	2,652

4. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Marketable securities	**¥2,565**	¥3,213	**$16,992**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**216,492**	192,861	**1,433,722**
Other securities	**211,037**	207,252	**1,397,596**
Total	**¥430,095**	¥403,327	**$2,848,312**

Marketable and investment securities as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Equity securities	**¥183,552**	¥182,857	**$1,215,581**
Debt securities	**32,026**	33,234	**212,097**
Trust fund investments and other	**214,515**	187,235	**1,420,633**
Total	**¥430,095**	¥403,327	**$2,848,312**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2024 and 2023, were as follows:

	Millions of yen			
March 31, 2024	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**¥26,871**	**¥15,907**	**¥(1,366)**	**¥41,412**
Debt securities	**37,536**		**(5,510)**	**32,026**
Trust fund investments and other	**5,723**	**1,205**		**6,929**
Total	**¥70,132**	**¥17,113**	**¥(6,877)**	**¥80,368**

	Millions of yen			
March 31, 2023	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	¥32,304	¥16,720	¥(863)	¥48,161
Debt securities	33,311	7	(84)	33,234
Trust fund investments and other	5,926	1,112		7,039
Total	¥71,542	¥17,840	¥(947)	¥88,434

March 31, 2024	Thousands of U.S. dollars Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**$177,958**	**$105,348**	**$(9,050)**	**$274,256**
Debt securities	**248,587**	**3**	**(36,493)**	**212,097**
Trust fund investments and other	**37,906**	**7,982**		**45,889**
Total	**$464,452**	**$113,334**	**$(45,544)**	**$532,243**

Carrying amounts of nonmarketable equity securities and investments in partnerships, etc., that the equity interest equivalents are recorded as net in the consolidated balance sheets as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Nonmarketable equity securities:			
Shares of subsidiaries and associated companies	**¥132,405**	¥125,362	**$876,858**
Unlisted shares	**9,734**	¥9,333	**64,466**
Total	**¥142,140**	¥134,696	**$941,324**
Investments in partnership, etc.:			
Silent partnership interests and other	**¥207,586**	¥122,904	**$1,374,744**
Unconsolidated subsidiaries and associated companies		57,291	
Total	**¥207,586**	¥180,195	**$1,374,744**

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Proceeds	**¥39,584**	¥28,322	**$262,148**
Realized gains	**17,813**	5,089	**117,970**
Realized losses	**(357)**	(407)	**(2,367)**

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Equity securities		¥2,444	
Trust fund investments and other	**¥295**	1,546	**$1,956**
Total	**¥295**	¥3,990	**$1,956**

5. Inventories

Inventories as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Merchandise	**¥38,240**	¥32,262	**$253,247**
Real estate for resale		13,802	
Total	**¥38,240**	¥46,064	**$253,247**

6. Investment Property

The Companies own certain rental properties, such as office buildings, commercial facilities, rental residential properties, and logistics warehouses, in major cities throughout Japan. The net of rental income and operating expenses for those properties was ¥13,755 million ($91,093 thousand) and ¥12,550 million for the fiscal years ended March 31, 2024 and 2023, respectively. The net gain from sales of those properties was ¥14,067 million ($93,159 thousand) and ¥9,261 million for the fiscal years ended March 31, 2024 and 2023, respectively.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2024 and 2023, were as follows:

Millions of yen			
2024			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
¥378,721	**¥89,990**	**¥468,712**	**¥537,846**

Millions of yen			
2023			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
¥418,126	¥(39,404)	¥378,721	¥439,244

Thousands of U.S. dollars			
2024			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
$2,508,089	**$595,964**	**$3,104,054**	**$3,561,899**

Notes:

(1) Carrying amounts recognized in the consolidated balance sheets are net of accumulated depreciation and accumulated impairment losses, if any.

(2) Net change during the fiscal year ended March 31, 2024, was primarily attributable to ¥126,862 million ($840,147 thousand) increase from the acquisition of real estate and ¥44,053 million ($291,746 thousand) decrease from the sales of real estate.

Net change during the fiscal year ended March 31, 2023, was primarily attributable to ¥27,236 million increase from the acquisition of real estate and ¥50,306 million decrease from the sales of real estate.

(3) For fair value disclosure related to major properties, the Company obtains the fair values using third-party real estate appraisers or by the DCF method. When changes in facts or circumstances indicate that there is no significant change in indices from the latest appraisal, the Companies use the fair value of these properties based on such appraisal. For fair value disclosure on other properties, the Company obtains fair value using the DCF rationally calculated by the Companies, amounts calculated using market price indices, or appropriate book value for certain depreciable assets or properties newly acquired in this fiscal year.

7. Lease Receivables and Investments in Leases

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2024, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	2024	2024
2025	¥473,370	$3,134,905
2026	387,304	2,564,932
2027	287,766	1,905,741
2028	186,778	1,236,946
2029	109,561	725,571
Thereafter	234,616	1,553,750
Total	¥1,679,398	$11,121,846

Investments in leases as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gross investments in leases	¥2,028,428	¥2,179,684	$13,433,303
Residual values	81,700	83,715	541,060
Unearned interest income	(398,630)	(411,381)	(2,639,935)
Total	¥1,711,498	¥1,852,018	$11,334,427

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2024, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	2024	2024
2025	¥542,112	$3,590,148
2026	422,230	2,796,225
2027	315,282	2,087,965
2028	220,874	1,462,743
2029	144,751	958,618
Thereafter	383,177	2,573,601
Total	¥2,028,428	$13,433,303

The consolidated balance sheet amounts of sublease contracts, including those that aim to disperse credit risks, and interest as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Lease receivables	¥17,520	¥18,018	$116,031
Investments in leases	21,973	29,531	145,523
Lease obligations	41,334	49,656	273,738

"Lease receivables and investments in leases" include receivables from hire-purchase contract of the consolidated foreign subsidiaries that adopted IFRS Accounting Standards.

8. Leased Assets

The minimum future rentals on lease contracts as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Due within one year	**¥404,725**	¥304,597	**$2,680,302**
Due after one year	**1,414,266**	1,257,432	**9,366,004**
Total	**¥1,818,992**	¥1,562,030	**$12,046,307**

9. Goodwill

Goodwill as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Goodwill in connection with acquisition	**¥6,352**	¥8,469	**$42,068**
Consolidation goodwill	**95,738**	83,027	**634,031**
Total	**¥102,091**	¥91,497	**$676,099**

Goodwill in connection with acquisition is related when Diamond Lease Company Limited and UFJ Central Leasing Company Limited merged and became Mitsubishi UFJ Lease in 2007. Consolidation goodwill is related to the acquisition of the consolidated subsidiaries.

10. Long-Lived Assets

The Companies reviewed their long-lived assets for impairment as of March 31, 2024 and 2023.

(1) Property and equipment

The Company recognized impairment losses of ¥2,713 million ($17,970 thousand) on the following property and equipment in the accompanying consolidated statement of income for the year ended March 31, 2024.

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2024		
Leased assets	Aircraft	**¥1,998**	**$13,233**
Leased assets	Aircraft engine	**715**	**4,736**

Certain consolidated subsidiaries of the Company have reduced the carrying amount of leased assets whose profitability has declined due to a decrease in future cash flows that are expected to occur in the future to the recoverable amount, and the reduced amount was recorded in costs as impairment losses.

The recoverable value of the assets is mainly calculated based on the value in use, and the value in use is evaluated based on the future cash flows discounted mainly by 5.1%. In case the recoverable value of the assets is calculated based on the net selling price, the net selling price is evaluated based on the valuation reasonably calculated by a third party.

The Company recognized impairment losses of ¥8,420 million on the following property and equipment in the accompanying consolidated statement of income for the year ended March 31, 2023.

Use	Type of assets	Millions of yen
	2023	
Leased assets	Aircraft	¥5,635
Leased assets	Aircraft engine	311
Leased assets	Railroad car	2,473

Certain consolidated subsidiaries of the Company have reduced the carrying amount of leased assets whose profitability has declined due to a decrease in future cash flows that are expected to occur in the future to the recoverable amount, and the reduced amount was recorded in costs as impairment losses.

The recoverable value of the assets is mainly calculated based on the value in use, and the value in use is evaluated based on the future cash flows discounted mainly by 3.7%. In case the recoverable value of the assets is calculated based on the net selling price, the net selling price is evaluated based on the valuation reasonably calculated by a third party.

(2) Asset group employed by solar power generation business

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2024		
Solar power generation business assets	Other operating assets	**¥5,816**	**$38,516**

The Company considers each project of solar power generation business as a unit of grouping in determining the impairment. For certain projects of solar power generation business, the carrying amount of other operating assets whose profitability has declined due to a decrease in future cash flows that are expected to occur in the future was reduced to the recoverable amount, and the reduced amount was recorded in costs as impairment losses.

The recoverable value of the assets is calculated based on the value in use, and the value in use is evaluated based on the future cash flows discounted mainly by 3.9%.

(3) Investments and other assets

Use	Type of assets	Millions of yen
	2023	
-	Goodwill (Mobility Mixx B. V.)	¥123
-	Goodwill (EuroFleet Zrt.)	200

The Company considers each company as a unit of grouping in determining the impairment of goodwill.

The Company decided to sell whole shares of Mobility Mixx B. V., a consolidated subsidiary, and reduced the carrying amount of goodwill to the recoverable amount. The reduced amount of ¥123 million was recorded as an impairment loss in other income (expenses).

The recoverable value of the assets is mainly calculated based on the value in use, and the value in use is evaluated as zero.

As a result of that, EuroFleet Zrt., a consolidated subsidiary, revaluated the discount rate due to changes in interest rates, and has reduced the carrying amount to the recoverable amount that is discounted by 20.7% for expected future cash flow. The reduced amount of ¥200 million was recorded as an impairment loss in other income (expenses).

Use	Type of assets	Millions of yen
	2023	
Own-used assets	Investments and other assets - other (EuroFleet Zrt.)	¥155

EuroFleet Zrt., a consolidated subsidiary, has reduced the carrying amount of investments and other assets that are not expected to be used in the future to the recoverable amount. The reduced amount of ¥155 million was recorded as an impairment loss in other expenses.

The recoverable value of the assets is mainly calculated based on the value in use, and the value in use is evaluated as zero.

11. Pledged Assets

As of March 31, 2024, the following assets were pledged as collateral for long-term debt, other current liabilities, and other long-term liabilities:

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Cash, cash equivalents, and time deposits other than cash equivalents	¥30,345	$200,962
Receivables — loans	162,842	1,078,430
Receivables — installment sales	17,423	115,389
Lease receivables and investments in leases	532,205	3,524,537
Current assets — other	15,867	105,083
Leased assets	1,401,102	9,278,823
Other operating assets	73,105	484,145
Investment securities	43,144	285,724
Other intangible assets	2,344	15,523
Investments and other assets — other	72	478
Future rentals on operating lease contracts	1,160	7,687
Total	¥2,279,614	$15,096,786

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Short-term loans from banks and other financial institutions	¥836	$5,542
Bonds	8,465	56,060
Long-term loans from banks and other financial institutions	896,126	5,934,615
Loans from the securitizations of the minimum future rentals on lease contracts	565,533	3,745,255
Long-term liabilities — other	1,274	8,437
Total	¥1,472,236	$9,749,911

12. Nonrecourse Loans

Nonrecourse loans as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Current maturities of nonrecourse long-term loans	¥2,796	¥4,223	$18,519
Nonrecourse bond		100	
Nonrecourse long-term loans, less current maturities	19,604	34,367	129,832
Total	¥22,401	¥38,690	$148,352

Pledged assets for nonrecourse loans as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Inventories		¥6,759	
Leased assets	¥23,140	43,809	$153,246
Total	¥23,140	¥50,569	$153,246

13. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Short-term loans from banks and other financial institutions:			
3.84%	**¥471,060**		**$3,119,605**
3.59%		¥633,099	
Commercial paper:			
1.07%	**¥784,178**		**$5,193,232**
0.72%		¥559,485	

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Bonds:			
Bonds without collateral:			
Due 2024-2036, 0.050%-0.963%	**¥797,153**		**$5,279,164**
Due 2023-2036, 0.030%-0.963%		¥937,541	
Subordinated bonds without collateral with interest deferral and early redemption clauses:			
Due 2076-2081, 0.630%-1.310%	**110,080**		**729,007**
Due 2076-2081, 0.630%-1.310%		110,109	
U.S. dollar bonds without collateral:			
Due 2025-2030, 3.637%-5.080%	**196,833**		**1,303,529**
Due 2023-2030, 3.559%-5.080%		307,119	
Euroyen bonds issued under the Medium Term Note ("MTN") program:			
Due 2024-2027, 0.020%-0.340%	**28,000**		**185,430**
Due 2023-2027, 0.010%-0.340%		47,200	
Bonds without collateral issued by Bangkok Mitsubishi HC Capital Co., Ltd.:			
Due 2024, 0.130%	**1,522**		**10,082**
Due 2023-2024, 0.130% - 0.260%		3,015	
U.S. dollar bonds without collateral issued by Jackson Square Aviation Ireland Ltd.:			
Due 2024-2028, 3.520%-3.990%	**42,549**		**281,781**
Due 2024-2028, 3.520%-3.990%		39,810	
U.S. dollar bonds without collateral issued by Engine Lease Finance Corporation:			
Due 2026-2031, 4.480%-4.730%	**28,366**		**187,854**
Due 2026-2031, 4.480%-4.730%		26,540	
U.S. dollar bonds issued under the MTN program by MHC America Holdings Corporation:			
Due 2024-2033, 2.336 % -7.879%	**92,057**		**609,650**
Due 2023-2030, 2.252 % -7.102%		70,770	
U.S. dollar bonds without collateral issued by MHC America Holdings Corporation:			
Due 2028-2033, 5.658%-5.807%	**151,410**		**1,002,715**
Due 2033, 5.658%		66,765	
Sterling pound bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2024-2028, 0.842%-6.199%	**48,642**		**322,136**
Due 2023-2027, 0.833%-5.686%		67,606	
Euro bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2024-2029, 5,795%-6.537%	**261,567**		**1,732,234**
Due 2023-2029, 4.782%-5.296%		156,496	
U.S. dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2024-2029, 5.839%-6,519%	**91,764**		**607,709**
Due 2023-2029, 4.747%-5.466%		71,603	
Bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2024-2031, 5.691%-6.849%	**212,880**		**1,409,802**
Due 2023-2028, 4.787%-5.836%		244,565	

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Hong Kong dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2024-2026, 5.899%-6.209%	**¥30,187**		**$199,917**
Due 2023-2026, 4.844%-5.196%		¥9,667	
Chinese yuan bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023, 1.816%		1,952	
Australian dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2026-2029, 1.830%-6.639%	**43,678**		**289,261**
Due 2023-2029, 1.830%-5.396%		11,705	
Swiss franc bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2024, 4.627%-4.927%		9,919	
South African Rand bond issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2024, 5.519%-5.759%	**3,197**		**21,176**
Due 2024, 4.507%		1,493	
U.S. dollars bonds without collateral issued under MTN program by Mitsubishi HC Capital America, Inc.:			
Due 2024-2027, 1.100%-2.535%	**21,221**		**140,540**
Due 2023-2027, 0.805%-3.916%		34,702	
Bonds— other (*):	**9,162**	7,147	**60,679**
Total	**¥2,170,273**	¥2,225,731	**$14,372,675**

(*) Bonds— other includes nonrecourse bonds of ¥100 million at March 31, 2023.

Certain bonds issued under the MTN program are hedged by derivative contracts to hedge foreign exchange risk and interest rate risk, and interest rates for those bonds have been adjusted considering the impact of hedging.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 2.96%	**¥1,009,821**		**$6,687,561**
Due 2025-2052, 3.57%	**3,416,097**		**22,623,162**
Due within one year, 2.51%		¥955,728	
Due 2024-2050, 2.86%		3,219,167	
Total	**¥4,425,919**	¥4,174,896	**$29,310,724**
Nonrecourse loans:			
Due within one year, 3.67%	**¥2,796**		**$18,519**
Due 2025-2032, 3.53%	**19,604**		**129,832**
Due within one year, 0.92%		¥4,223	
Due 2024-2033, 0.88%		34,367	
Total	**¥22,401**	¥38,590	**$148,352**
Lease obligations, including fixed interests:			
Due within one year	**¥17,852**		**$118,225**
Due 2025-2049	**37,427**		**247,863**
Due within one year		¥19,794	
Due 2024-2049		43,089	
Total	**¥55,279**	¥62,883	**$366,089**
Loans from the securitizations of the minimum future rentals on lease contracts:			
Due within one year, 2.30%	**¥224,330**		**$1,485,634**
Due 2025-2031, 2.10%	**341,628**		**2,262,443**
Due within one year, 1.48%		¥246,640	
Due 2024-2031, 1.62%		357,662	
Total	**¥565,959**	¥604,302	**$3,748,077**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥191**		**$1,265**
Due 2025-2032	**744**		**4,931**
Due within one year		¥187	
Due 2024-2032		935	
Total	**¥935**	¥1,123	**$6,196**

The interest rates of loans from banks and other financial institutions, commercial paper, and loans from the securitizations of the minimum future rentals on lease contracts represent weighted-average rates on outstanding balances at March 31, 2024 and 2023.

As it is customary in Japan, substantially all of the Company’s short-term bank loans are made under agreements, which provide that, at the request of such banks, the Company will provide additional collateral or guarantors with respect to the loan. As of March 31, 2024, the Company has not received any such request.

Annual maturities of long-term debt as of March 31, 2024, for the next five years were as follows:

	Millions of yen				
March 31, 2024	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Short-term loans from banks and other financial institutions	**¥471,060**				
Commercial paper	**784,178**				
Bonds	**563,684**	**¥337,440**	**¥303,303**	**¥217,266**	**¥262,371**
Nonrecourse bonds					
Long-term loans from banks and other financial institutions	**1,009,821**	**794,417**	**754,601**	**557,809**	**441,493**
Nonrecourse loans	**2,796**	**2,850**	**2,906**	**2,963**	**3,023**
Lease obligations	**17,852**	**12,623**	**7,654**	**4,976**	**3,656**
Loans from the securitizations of the minimum future rentals on lease contracts and other	**224,521**	**139,852**	**87,019**	**46,894**	**51,880**
Total	**¥3,073,915**	**¥1,287,185**	**¥1,155,367**	**¥829,910**	**¥762,423**

	Thousands of U.S. dollars				
March 31, 2024	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Short-term loans from banks and other financial institutions	**$3,119,605**				
Commercial paper	**5,193,232**				
Bonds	**3,733,013**	**$2,234,708**	**$2,008,632**	**$1,438,852**	**$1,737,557**
Nonrecourse bonds					
Long-term loans from banks and other financial institutions	**6,687,561**	**5,261,044**	**4,997,359**	**3,694,100**	**2,923,796**
Nonrecourse loans	**18,519**	**18,879**	**19,249**	**19,626**	**20,020**
Lease obligations	**118,225**	**83,600**	**50,691**	**32,956**	**24,213**
Loans from the securitizations of the minimum future rentals on lease contracts and other	**1,486,899**	**926,175**	**576,286**	**310,559**	**343,576**
Total	**$20,357,058**	**$8,524,408**	**$7,652,219**	**$5,496,096**	**$5,049,165**

The Company and certain consolidated subsidiaries had loan commitment agreements as of March 31, 2024 and 2023, amounting to ¥880,449 million ($5,830,790 thousand) and ¥915,146 million, respectively, of which ¥737,839 million ($4,886,356 thousand) and ¥703,054 million, respectively, were unused.

14. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have defined benefit corporate pension plans for employees or unfunded retirement benefit plans and defined contribution pension plans. In addition, the Company adopted a defined contribution pension plan on October 1, 2016.

Under most circumstances, employees terminating their employment are entitled to retirement benefits that are determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from its domestic subsidiaries and annuity payments from a trustee. If the termination is involuntary, such as when caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to a larger payment than in the case of a voluntary termination.

The liabilities for retirement benefits for directors and Audit and Supervisory Board members of the consolidated domestic subsidiaries at March 31, 2024 and 2023, were ¥69 million ($457 thousand) and ¥110 million, respectively. The retirement benefits for directors and Audit and Supervisory Board members are paid subject to the approval of the shareholders.

(1) The changes in defined benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Balance at beginning of year	**¥78,186**	¥91,020	**$517,789**
Current service cost	**2,993**	3,368	**19,826**
Interest cost	**927**	681	**6,144**
Actuarial losses	**(3,469)**	(6,844)	**(22,975)**
Benefits paid	**(4,020)**	(3,747)	**(26,624)**
Prior service cost		(1,934)	
Change in the scope of consolidation	**(971)**	(4,572)	**(6,430)**
Foreign currency translation differences	**933**	216	**6,184**
Balance at end of year	**¥74,581**	¥78,186	**$493,915**

(2) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Balance at beginning of year	**¥75,112**	¥83,757	**$497,430**
Expected return on plan asset	**1,617**	1,665	**10,708**
Actuarial gains (losses)	**3,923**	(5,886)	**25,984**
Contributions from the employer	**2,809**	2,238	**18,605**
Benefits paid	**(3,092)**	(2,679)	**(20,480)**
Change in the scope of consolidation	**(428)**	(4,204)	**(2,839)**
Foreign currency translation differences	**970**	222	**6,428**
Balance at end of year	**¥80,911**	¥75,112	**$535,837**

(3) Reconciliation between the liability recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Funded defined benefit obligation	**¥71,637**	**¥75,286**	**$474,418**
Plan assets	**(80,911)**	**(75,112)**	**(535,837)**
	(9,274)	**174**	**(61,418)**
Unfunded defined benefit obligation	**2,944**	**2,899**	**19,497**
Net (asset) liability arising from defined benefit obligation	**¥(6,330)**	**¥3,074**	**$(41,921)**
Liability for retirement benefits	**¥6,049**	¥6,463	**$40,063**
Asset for retirement benefits	**(12,379)**	(3,389)	**(81,984)**
Net (asset) liability arising from defined benefit obligation	**¥(6,330)**	¥3,074	**$(41,921)**

(4) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Service cost	**¥2,993**	¥3,368	**$19,826**
Interest cost	**927**	681	**6,144**
Expected return on plan assets	**(1,617)**	(1,665)	**(10,708)**
Recognized actuarial losses	**83**	147	**549**
Amortization of prior service cost	**(233)**	(233)	**(1,545)**
Others	**7**	13	**48**
Net periodic benefit costs	**¥2,161**	¥2,311	**$14,315**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Prior service cost	**¥(233)**	¥1,701	**$(1,545)**
Actuarial gains	**7,475**	1,105	**49,509**
Total	**¥7,242**	¥2,806	**$47,964**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Unrecognized prior service cost	**¥(1,832)**	¥(2,066)	**$(12,137)**
Unrecognized actuarial gains	**(8,466)**	(990)	**(56,068)**
Total	**¥(10,299)**	¥(3,056)	**$(68,205)**

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2024	2023
Debt investments	**44%**	38%
Equity investments	**22**	19
General account	**15**	16
Alternative investments*	**14**	13
Others	**5**	14
Total	**100%**	100%

* Alternative investments are invested for the purpose of diversifying risks and primarily invested in hedge funds.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2024 and 2023, were set forth as follows:

	2024	2023
Discount rate	**0.62-1.41%**	0.35-0.99%
Expected rate of return on plan assets	**1.7-2.0**	1.7-2.0

Other than the above, an expected rate of salary increase is used for the assumption.

(9) Defined contribution pension plans

Contributions to defined contribution pension plans for the years ended March 31, 2024 and 2023, were ¥3,317 million ($21,968 thousand) and ¥2,852 million, respectively.

15. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2024, totaling ¥281,117 million ($1,861,707 thousand), where the used portion is ¥120,160 million ($795,764 thousand), and the unused portion is ¥160,957 million ($1,065,943 thousand). This amount includes unused portions of the facilities which will not necessarily be utilized in full because these facilities are subject to periodic reviews of the borrower's purpose for the loan, credit standing, etc.

The Companies are contingently liable as of March 31, 2024, as guarantor or co-guarantor for operating transactions of ¥20,246 million ($134,084 thousand), and borrowings and others of ¥574 million ($3,805 thousand) for their unconsolidated subsidiaries and others.

The Companies have entered into various interest rate swap contracts, interest rate cap contracts, cross-currency interest rate swap contracts, and foreign exchange forward contracts in the ordinary course of business (see Note 27).

16. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee, and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective April 1, 2021. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

Moreover, the additional dividend restriction based upon the consolidated retained earnings is applicable to the Company.

As described in Note 3.t., the Company introduced the performance-based share remuneration plan for directors during the year ended March 31, 2024. The dividend amounts include dividends to the Company’s shares held by the trust for the performance-based share remuneration plan.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The number of treasury stock includes the Company’s shares held by the trust for the performance-based share remuneration plan.

On April 1, 2013, the Company completed a ten-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors’ meeting held on December 20, 2012.

17. Stock-Based Compensation

The Company has a stock option plan for certain directors and executive officers, except for Audit and Supervisory Committee members. Under the plan, the right to purchase the common shares of the Company is granted at an exercise price of ¥1 per share. The contractual term of the stock options is 30 years. The stock option holders may exercise their stock acquisition rights during the five-year period starting the day one year after leaving their position as either director or executive officer of the Company.

The stock options outstanding as of March 31, 2024, were as follows:

	2011 stock option	2012 stock option	2013 stock option
Persons granted	9 directors 17 executive officers	10 directors 17 executive officers	10 directors 17 executive officers
Number of options granted*	651,600	721,700	583,100
Date of grant	October 15, 2010	October 14, 2011	October 15, 2012
The fair value of options granted under the plan at the grant dates*	¥250.1 ($1.65)	¥283.1 ($1.87)	¥312.8 ($2.07)

	2014 stock option	2015 stock option	2016 stock option
Persons granted	10 directors 19 executive officers	10 directors 18 executive officers	9 directors 20 executive officers
Number of options granted*	419,000	350,300	368,800
Date of grant	October 15, 2013	October 15, 2014	October 15, 2015
The fair value of options granted under the plan at the grant dates*	¥502 ($3.32)	¥490 ($3.24)	¥546 ($3.61)

	2017 stock option	2018 stock option	2019 stock option
Persons granted	9 directors 20 executive officers	9 directors 27 executive officers	6 directors 33 executive officers
Number of options granted*	451,700	493,000	422,400
Date of grant	October 14, 2016	October 13, 2017	July 13, 2018
The fair value of options granted under the plan at the grant dates*	¥436 ($2.88)	¥566 ($3.74)	¥590 ($3.90)

	2020 stock option	2021 stock option	2022 stock option
Persons granted	5 directors 30 executive officers	5 directors 31 executive officers	6 directors 55 executive officers
Number of options granted*	490,400	507,000	866,300
Date of grant	July 12, 2019	July 15, 2020	July 15, 2021
The fair value of options granted under the plan at the grant dates*	¥513 ($3.39)	¥424 ($2.80)	¥499 ($3.30)

	2023 stock option
Persons granted	6 directors 55 executive officers
Number of options granted*	855,400
Date of grant	July 15, 2022
The fair value of options granted under the plan at the grant dates*	¥511.0 ($3.38)

The Companies recognized no stock-based compensation costs for the year ended March 31, 2024. The total stock-based compensation costs recognized for the year ended March 31, 2023 was ¥437 million.

The stock option activity for the fiscal years ended March 31, 2024 and 2023, was as follows:

	2011 stock option	2012 stock option	2013 stock option	2014 stock option
	Number of shares*			
For the year ended March 31, 2023				
Outstanding at beginning of fiscal year	52,100	54,200	154,600	152,200
Granted				
Canceled or expired				
Exercised	17,800		53,400	51,000
Outstanding at end of fiscal year	34,300	54,200	101,200	101,200
Vested at end of fiscal year	34,300	54,200	101,200	101,200
For the year ended March 31, 2024				
Outstanding at beginning of fiscal year	**34,300**	**54,200**	**101,200**	**101,200**
Granted				
Canceled or expired				
Exercised	**34,300**	**54,200**	**63,700**	**43,300**
Outstanding at end of fiscal year			**37,500**	**57,900**
Vested at end of fiscal year			**37,500**	**57,900**

	2015 stock option	2016 stock option	2017 stock option	2018 stock option
	Number of shares*			
For the year ended March 31, 2023				
Outstanding at beginning of fiscal year ..	192,300	228,400	340,000	414,100
Granted				
Canceled or expired				
Exercised..	12,700	19,400	27,100	46,700
Outstanding at end of fiscal year............	179,600	209,000	312,900	367,400
Vested at end of fiscal year.....................	179,600	209,000	312,900	367,400
For the year ended March 31, 2024				
Outstanding at beginning of fiscal year ..	**179,600**	**209,000**	**312,900**	**367,400**
Granted				
Canceled or expired				
Exercised..	**66,300**	**52,200**	**81,300**	**30,700**
Outstanding at end of fiscal year............	**113,300**	**156,800**	**231,600**	**336,700**
Vested at end of fiscal year.....................	**113,300**	**156,800**	**231,600**	**336,700**

	2019 stock option	2020 stock option	2021 stock option	2022 stock option
	Number of shares*			
For the year ended March 31, 2023				
Outstanding at beginning of fiscal year ..	383,600	479,700	496,300	850,300
Granted				
Canceled or expired				
Exercised..	60,100	25,200	25,300	
Outstanding at end of fiscal year............	323,500	454,500	471,000	850,300
Vested at end of fiscal year.....................	323,500	454,500	471,000	850,300
For the year ended March 31, 2024				
Outstanding at beginning of fiscal year ..	**323,500**	**454,500**	**471,000**	**850,300**
Granted				
Canceled or expired				
Exercised..	**36,000**	**70,300**	**70,700**	**9,200**
Outstanding at end of fiscal year............	**287,500**	**384,200**	**400,300**	**841,100**
Vested at end of fiscal year.....................	**287,500**	**384,200**	**400,300**	**841,100**

	2023 stock option
	Number of shares*
For the year ended March 31, 2023	
Outstanding at beginning of fiscal year ..	
Granted	855,400
Canceled or expired	
Exercised...	
Outstanding at end of fiscal year............	855,400
Vested at end of fiscal year.....................	855,400
For the year ended March 31, 2024	
Outstanding at beginning of fiscal year ..	**855,400**
Granted	
Canceled or expired	
Exercised...	
Outstanding at end of fiscal year............	**855,400**
Vested at end of fiscal year.....................	**855,400**

* On April 1, 2013, the Company split each share of its common stock, which was held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. Number of options, the fair value of options, and per share dividends have been retrospectively adjusted to reflect the stock split for all periods presented.

18. Revenue Recognition

(1) Disaggregation of revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen						
	Reportable segment						
Year Ended March 31, 2024	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Sales from maintenance contracts.........................	**¥ 36,396**	**¥ 25,397**	**¥ 3**				
Sales from selling merchandise	**12,312**	**3,526**		**¥ 15,159**	**¥ 244**		
Electricity sales................		**751**	**29,829**				
Sales from disposal of lease properties (3)		**71,566**					**¥ 4**
Others...............................	**8,650**	**13,566**	**120**	**9,761**	**1,024**	**¥ 7,359**	**63**
Revenue from contracts with customers	**57,360**	**114,810**	**29,953**	**24,921**	**1,268**	**7,359**	**67**
Other revenue (4).............	**986,329**	**313,351**	**19,853**	**183,359**	**123,391**	**83,199**	**3,777**
Total................................	**¥ 1,043,690**	**¥ 428,161**	**¥ 49,807**	**¥ 208,281**	**¥ 124,659**	**¥ 90,558**	**¥ 3,845**

	Millions of yen	
Year Ended March 31, 2024	Adjustments (2)	Consolidated
Revenues:		
Sales from maintenance contracts........................	**¥ 9**	**¥ 61,808**
Sales from selling merchandise		**31,243**
Electricity sales................		**30,581**
Sales from disposal of lease properties (3)..........		**71,571**
Others..............................	**1,537**	**42,083**
Revenue from contracts with customers	**1,547**	**237,287**
Other revenue (4)............	**31**	**1,713,295**
Total................................	**¥ 1,578**	**¥ 1,950,583**

	Millions of yen						
	Reportable segment						
Year Ended March 31, 2023	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Sales from maintenance contracts......................	¥ 34,613	¥ 18,313	¥ 21				
Sales from selling merchandise	24,134	4,071		¥ 10,668		¥ 7,092	¥ 586
Electricity sales.............		326	31,431				
Sales from disposal of lease properties (3)........		50,514			¥ 902		8
Others............................	7,468	11,247	931	8,396	940	3,470	989
Revenue from contracts with customers	66,216	84,473	32,384	19,064	1,843	10,562	1,584
Other revenue (4)..........	1,015,919	247,301	15,720	147,958	114,827	83,047	54,211
Total..............................	¥ 1,082,135	¥ 331,775	¥ 48,104	¥ 167,022	¥ 116,671	¥ 93,609	¥ 55,796

	Millions of yen	
Year Ended March 31, 2023	Adjustments (2)	Consolidated
Revenues:		
Sales from maintenance contracts........................	¥ 11	¥ 52,960
Sales from selling merchandise		46,553
Electricity sales................		31,757
Sales from disposal of lease properties (3)..........		51,425
Others..............................	1,476	34,921
Revenue from contracts with customers	1,488	217,618
Other revenue (4)............	(371)	1,678,613
Total................................	¥ 1,116	¥ 1,896,231

Year Ended March 31, 2024	Thousands of U.S. dollars						
	Reportable segment						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Sales from maintenance contracts	**$ 241,038**	**$ 168,198**	**$ 24**				
Sales from selling merchandise	**81,542**	**23,356**		**$ 100,394**	**$ 1,616**		
Electricity sales		**4,978**	**197,544**				
Sales from disposal of lease properties (3)		**473,952**					**$ 29**
Others	**57,290**	**89,845**	**797**	**64,645**	**6,782**	**$ 48,736**	**420**
Revenue from contracts with customers	**379,871**	**760,331**	**198,366**	**165,040**	**8,399**	**48,736**	**450**
Other revenue (4)	**6,531,986**	**2,075,175**	**131,482**	**1,214,304**	**817,162**	**550,988**	**25,019**
Total	**$ 6,911,857**	**$ 2,835,506**	**$ 329,849**	**$ 1,379,344**	**$ 825,561**	**$599,725**	**$25,470**

Year Ended March 31, 2024	Thousands of U.S. dollars	
	Adjustments (2)	Consolidated
Revenues:		
Sales from maintenance contracts	**$ 64**	**$ 409,325**
Sales from selling merchandise		**206,910**
Electricity sales		**202,523**
Sales from disposal of lease properties (3)		**473,982**
Others	**10,180**	**278,700**
Revenue from contracts with customers	**10,245**	**1,571,441**
Other revenue (4)	**208**	**11,346,327**
Total	**$ 10,453**	**$ 12,917,769**

Notes:
(1) As disclosed in Note 29 "Segment Information," the Company changed the name of reportable segments effective April 1, 2023.
(2) Adjustments include ¥(1,541) million ($(10,211) thousand) million and ¥(3,062) million of adjusted amount of sales following the merger with Hitachi Capital to which the purchase method was applied for the years ended March 31, 2024 and 2023, respectively.
(3) Sales from disposal of lease properties are sales from disposal of lease properties due to lease contract maturities of the consolidated foreign subsidiaries that adopted IFRS Accounting Standards or U.S. GAAP.
(4) Other revenue primarily includes revenue from finance lease, operating lease, loans, and installment sales.

As shown in the above table, revenue from contracts with customers is immaterial to total revenue. Therefore, the Companies omitted disclosure of basic information to understand revenues from contracts with customers and information on relationship between satisfaction of performance obligations in contracts with customers and transaction prices allocated to remaining performance obligations.

(2) Contract balances
Receivables from contracts with customers, contract assets, and contract liabilities as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Receivables from contracts with customers (1)	**¥8,661**	¥8,768	**$57,359**
Contract assets			
Contract liabilities (2)	**8,942**	4,199	**59,221**

Notes:

(1) Receivables arising from contracts with customers are included in “Receivables — Lease” and “Prepaid expenses and other” in the consolidated balance sheet.

(2) Contract liabilities are included in “Other current liabilities” in the consolidated balance sheet.

19. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Provision for doubtful receivables	**¥21,606**	¥16,858	**$143,089**
Employees’ salaries, bonuses, and allowances	**75,486**	70,274	**499,911**
Other	**136,825**	131,467	**906,131**
Total	**¥233,919**	¥218,600	**$1,549,132**

20. Gain on Revaluation of Investment Securities

The Companies did not recognize any gain on revaluation of investment securities for the year ended March 31, 2024.

Investment securities held by the consolidated foreign subsidiaries that adopted IFRS Accounting Standards were reported at fair value. Some of these investment securities are excluded from the scope of applying the equity method as the holding ratio decreased and the Companies determined that they do not have the ability to exercise significant influence, for the year ended March 31, 2023.

21. Gain on Step Acquisition

The Company recognized a step acquisition gain on its existing holdings of CPD, when CPD and Nanko Logistics Special Purpose Company and two other companies became consolidated subsidiary due to the acquisition of all shares by the Company for the year ended March 31, 2024.

The Company recognized a step acquisition gain on its existing holdings of Mirai Soden Chita Mihama LLC (“Mirai Soden Chita Mihama”), which engages in solar power generation, when Mirai Soden Chita Mihama became consolidated subsidiary due to the additional silent partnership shares purchased by the Company for the year ended March 31, 2023.

22. Loss on Sales of Shares of Subsidiaries and Affiliates

The Companies mainly recognized loss on the sale of whole shares of Shutoken Leasing, formerly the consolidated subsidiary of the Company, for the year ended March 31, 2024.

The Companies recognized loss on the sale of whole shares of Diamond Asset Finance, formerly the consolidated subsidiary of the Company, for the year ended March 31, 2023.

23. Related-Party Transactions

The transactions with subsidiaries of Mitsubishi UFJ Financial Group, Inc. or Mitsubishi Corporation, which has significant influence over the Company, for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Interest expense*1	**¥16,460**	¥12,886	**$109,009**
Interest expense (U.S. dollars)*1	**N/A**	N/A *2	**255,269**
Lease revenue	**21,017**	19,799	**139,188**

*1 Interest expense recorded in costs and other income (expenses).

*2 $125,870 thousand

Amounts due from and to subsidiaries of Mitsubishi UFJ Financial Group, Inc. or Mitsubishi Corporation, which has significant influence over the Company, as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Lease receivables and investments in leases*3	**¥93,631**	¥101,428	**$620,077**
Short-term loans	**53,821**	43,346	**356,430**
Short-term loans (U.S. dollars)	**N/A**	N/A *5	**857,660**
Long-term loans, including current maturities	**357,143**	399,765	**2,365,191**
Long-term loans, including current maturities (U.S. dollars) *4	**N/A**	N/A *6	**3,900,334**

*3 Lease receivables and investments in leases include the amounts of lease contracts, which aim to disperse credit risk, including interest, presented in consolidated balance sheets.

*4 The balance of long-term loans (U.S. dollars) secured by the foregoing assets as of March 31, 2024 and 2023, were $1,887,714 thousand and $1,543,571 thousand, respectively.

*5 $1,393,566 thousand

*6 $3,275,901 thousand

24. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2024 and 2023.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Deferred tax assets:			
Tax loss carryforwards	**¥108,555**	¥101,147	**$718,910**
Accrued expenses	**15,458**	11,424	**102,372**
Allowance for doubtful receivables	**14,023**	16,210	**92,867**
Asset retirement obligations	**11,261**	11,194	**74,580**
Other	**54,462**	50,471	**360,681**
Total of tax loss carryforwards and temporary differences	**203,761**	190,450	**1,349,412**
Less valuation allowance for tax loss carryforwards	**(6,377)**	(6,968)	**(42,231)**
Less valuation allowance for temporary differences	**(11,141)**	(8,693)	**(73,786)**
Total valuation allowance	**(17,518)**	(15,662)	**(116,017)**
Less deferred tax liabilities	**(160,094)**	(141,562)	**(1,060,226)**
Net deferred tax assets	**¥26,148**	¥ 33,224	**$173,167**

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	**¥267,549**	¥224,401	**$1,771,853**
Deferred gain on derivatives under hedge accounting		12,508	
Other	**51,662**	48,463	**342,137**
Total deferred tax liabilities	**319,212**	285,373	**2,113,991**
Less deferred tax assets	**(160,094)**	(141,562)	**(1,060,226)**
Net deferred tax liabilities	**¥159,118**	¥143,810	**$1,053,764**

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2024 and 2023, were as follows:

March 31, 2024	Millions of yen One year or less	After one year through five years	After five years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	**¥248**	**¥5,894**	**¥4,483**	**¥97,928**	**¥108,555**
Less valuation allowances for tax loss carryforwards	**(208)**	**(4,916)**	**(713)**	**(537)**	**(6,377)**
Net deferred tax assets relating to tax loss carryforwards*2	**¥40**	**¥977**	**¥3,769**	**¥97,390**	**¥102,178**

March 31, 2023	Millions of yen One year or less	After one year through five years	After five years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	¥468	¥5,026	¥2,077	¥93,574	¥101,147
Less valuation allowances for tax loss carryforwards	(260)	(3,905)	(1,995)	(806)	(6,968)
Net deferred tax assets relating to tax loss carryforwards*2	¥208	¥1,121	¥82	¥92,767	¥94,179

March 31, 2024	Thousands of U.S. dollars One year or less	After one year through five years	After five years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	**$1,647**	**$39,036**	**$29,692**	**$648,533**	**$718,910**
Less valuation allowances for tax loss carryforwards	**(1,381)**	**(32,562)**	**(4,727)**	**(3,560)**	**(42,231)**
Net deferred tax assets relating to tax loss carryforwards*2	**$266**	**$6,474**	**$24,965**	**$644,973**	**$676,678**

*1 Tax loss carryforwards were calculated by applying the normal effective statutory tax rate.

*2 Net deferred tax assets are recognized primarily for tax loss carryforwards (calculated by applying the normal effective statutory tax rate) of consolidated subsidiaries of the Company. The tax loss carryforwards of these foreign consolidated subsidiaries arose by applying the accelerated depreciation for leased assets. Valuation allowances have not been recognized for these tax loss carryforwards because they are expected to be collectible considering future taxable income.

Certain subsidiaries of the Company have tax loss carryforwards as stated above and those will mainly begin to expire in 2024.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2024 and 2023, were as follows:

	2024	2023
Normal effective statutory tax rate	**30.6%**	30.6%
Difference in statutory tax rates of foreign subsidiaries	**(5.4)**	(3.7)
Other — net	**0.5**	(3.8)
Actual effective tax rate	**25.7%**	23.1%

25. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Due within one year	**¥3,525**	¥3,773	**$23,344**
Due after one year	**7,296**	6,293	**48,324**
Total	**¥10,821**	¥10,066	**$71,668**

26. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Companies mainly conduct business of lease transactions, installment sales, and financial transactions.

In order to finance these businesses, the Companies utilize indirect financing, primarily bank loans, as well as direct financing, issuance of bonds, commercial paper, and securitization receivables.

So as to properly manage the interest rate risk that arises from the mismatch of interest conditions and that of duration between invested assets and financing liabilities, the Companies utilize asset liability management (“ALM”).

Derivatives are used, not for speculative and trading purposes, but mainly to hedge interest and foreign currency exposures as described in Note 27.

(2) Nature and extent of risks arising from financial instruments

Major financial assets of the Companies are receivables relating to leases, installment sales, and loans, which are exposed to customer credit risk.

Marketable and investment securities, mainly composed of equity securities, debt securities, and others, which are held for maintaining business relationships with customers and investment income purposes, are exposed to issuer credit risk, interest rate risk, and market price fluctuation risk.

The Companies are exposed to liquidity risk, namely the risk that, under certain conditions, they may not be able to procure the funds needed from the market to meet payment obligations for loans, bonds, commercial paper, and so on, on their maturity dates. The Companies are also exposed to interest rate fluctuation risk on floating interest rate liabilities.

The Companies mainly conduct business of lease transactions, installment sales, and financial transactions. Some receivables related to leases, installment sales, and loans have fixed interest rates. However, the Companies use some floating interest rate financing instruments, which expose them to interest rate risk.

In order to comprehensively manage these interest rate risks, or to secure stable earnings by fixing a profit margin for individual business projects, the Companies utilize interest rate-related derivative transactions.

In order to manage foreign exchange risk for individual foreign currency-denominated assets and liabilities, the Companies also utilize currency-related derivative transactions and foreign currency-

denominated debt.
Please see Note 27 for more details about derivatives.

(3) Risk management for financial instruments

(a) Credit risk management

The Companies manage the credit risk of individual customers based on their overall strategy, financial position, credit rating portfolio characteristics, and other factors in accordance with the internal credit management rules. This credit management process is conducted by the business departments and the credit department, with regular reporting to the Risk Management Committee, the Executive Committee, and the Board of Directors. In addition, the Internal Audit department monitors and audits credit administration and management status.

(b) Market risk management (foreign exchange risk and interest rate fluctuation risk)

The Companies manage exposure to interest rate fluctuation risk, foreign exchange risk, and price fluctuation risk according to internal rules for market risk management.

(i) Interest rate fluctuation risk management

In order to properly manage interest rate fluctuation risk, the Companies not only constantly monitor interest rate movements, but also monitor any mismatches of interest conditions and that of duration between invested assets and financing liabilities. With respect to interest rate fluctuation risk, the Company convenes the ALM Committee quarterly, attended by officers and the managers of related departments, to review market conditions and asset/liability portfolio analysis. The ALM Committee deliberates and decides on policies with regard to current risk management and new financing. In addition, the Company reports quarterly to the Risk Management Committee.

(ii) Quantitative information of market risk

The Companies have financial instruments exposed to market risk, which are composed mainly of installment sales receivables, lease receivables, and investments in leases, loans, marketable and investment securities, short-term borrowings, and long-term debt. The Companies adopt ALM to these financial instruments and use indices, such as 10 BPV (*1) and VaR (*2) to measure market risks.

In calculating the market risk and the VaR, the Companies adopt a historical simulation model (holding period, one year; confidence interval, 99.9%; and observation period, 10 years).

The 10 BPV at March 31, 2024 and 2023, was ¥6,642 million ($43,989 thousand) and ¥4,334 million, respectively. The market risk VaR at March 31, 2024 and 2023, was ¥163,952 million ($1,085,774 thousand) and ¥130,849 million, respectively.

(*1) 10 BPV: One of the interest rate indices, which estimates changes in the market value of subject assets and liabilities assuming a 10 basis-point (0.10%) upward shift of underlying interest rates

(*2) VaR: Quantitatively measured amount that estimates potential loss of portfolios over a certain period and according to a certain probability based on the past statistics

The Companies measure and manage market risks, including the risks of the future rentals on and residual values of operating lease transactions, since they are also exposed to market risks similar to lease receivables and investments in leases (which are related to finance lease transactions).

The Companies have adopted a historical simulation model, which calculates a VaR as a statistically possible amount of losses in a fixed confidence interval based on historical market volatility. However, this model is not designed to capture certain abnormal market fluctuations.

(c) Foreign exchange risk management

The Companies reduce foreign exchange risk of foreign currency-denominated assets individually by financing commensurate foreign currency-denominated debt and by using foreign currency-related derivative transactions. Reports regarding foreign exchange risk status are made to the Risk Management Committee.

(d) Price fluctuation risk management

Price fluctuation risk for marketable and investment securities are reported to the Risk Management Committee. Most equity securities held by the Companies are for the purpose of maintaining business relationships with customers, and the Companies perform an annual review on whether to maintain these shares by monitoring the financial condition of the issuers (customers) and transaction status with customers as well as evaluating the cost of capital.

(e) Liquidity risk management on financing

The Companies monitor their cash management status as a whole and control the duration mixture of financing. Through maintaining commitment lines with multiple financial institutions and diversification of financing methods, the Companies endeavor to secure liquidity. In addition, based on the Companies' internal liquidity risk management rule, the probability of realization of the risk under the current financing environment is monitored, and monthly reports on liquidity risk status to the executive officer in charge. The executive officer in charge decides the stage of liquidity risk and reports the decision to the Risk Management Committee. The Company has also prepared a contingency plan for each stage of liquidity risk and has been prepared for appropriate action addressing any such contingency.

(f) Derivative transactions

The financial department of the Company utilizes derivative transactions in accordance with internal rules. Interest rate fluctuation risk is managed comprehensively through ALM with interest rate fluctuation risk of assets and liabilities in the consolidated balance sheets. Foreign currency fluctuation risk is managed on an individual project basis. The status of these derivative transactions is reported to the President every quarter. Credit risk due to nonfulfillment of contracts by counterparties is managed by setting individual credit limits according to the financing credit rating of the customer.

(4) Supplementary information on fair value of financial instruments

Quoted market prices, when available, are used to estimate fair values of financial instruments. However, when quoted market prices are not available for financial instruments, fair values for such financial instruments are estimated using DCF models or other valuation techniques. Considerable judgment is required in determining methodologies and assumptions used in estimating fair values of financial instruments; therefore, the effect of using different methodologies and assumptions may have a material impact to the estimated fair value amounts.

(5) Financial instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1:	Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3:	Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

According to Paragraph 5 of *Implementation Guidance on Disclosure about Fair Value of Financial Instruments* (ASBJ Guidance No. 19), nonmarketable equity securities are not included in the tables below. In addition, investments in partnerships, etc., that the equity interest equivalents are recorded as net in the balance sheet applying the Paragraph 24-6 of *Implementation Guidance on Accounting Standard for Fair Value Measurement* are not included in the tables below.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet:

	Millions of yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	**¥19,072**		**¥22,340**	**¥41,412**
Government and municipal bonds	**5,079**			**5,079**
Corporate bonds		**¥26,947**		**26,947**
Other		**5,852**	**1,077**	**6,929**
Derivative transactions (1):				
Foreign currency forward contracts		**(62,283)**		**(62,283)**
Interest rate swaps		**36,092**		**36,092**
Total assets	**¥24,152**	**¥6,608**	**¥23,417**	**¥54,177**

	Millions of yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities (1):				
Equity securities	¥26,922		¥21,238	¥48,161
Government and municipal bonds	3,624			3,624
Corporate bonds		¥29,610		29,610
Other		5,420	1,618	7,039
Derivative transactions (2):				
Foreign currency forward contracts		(38,249)		(38,249)
Interest rate swaps		53,331		53,331
Total assets	¥30,546	¥50,112	¥22,857	¥103,516

	Thousands of U.S. dollars			
March 31, 2024	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities (1):				
Equity securities	**$126,308**		**$147,948**	**$274,256**
Government and municipal bonds	**33,638**			**33,638**
Corporate bonds		**$178,458**		**178,458**
Other		**38,755**	**7,133**	**45,889**
Derivative transactions (2):				
Foreign currency forward contracts		**(412,474)**		**(412,474)**
Interest rate swaps		**239,024**		**239,024**
Total assets	**$159,947**	**$43,764**	**$155,081**	**$358,793**

Notes:
(1) Investment trust funds applying the transitional clause of Paragraph 26 of *Implementation Guidance on Accounting Standard for Fair Value Measurement* were not included in the tables above.
(2) Carrying amounts of derivative transactions to which hedge accounting is applied were ¥(24,941) million ($(165,172) thousand) and ¥19,402 million as of March 31, 2024 and 2023, respectively, to which *Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR* (the revised Practical Solution No. 40, March 17, 2022) is applied.

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet:

	Millions of yen					
	Fair value					
March 31, 2024	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Receivables:						
Installment sales					**¥172,368**	
Deferred profit on installment sales					**(7,016)**	
Allowance for doubtful receivables					**(729)**	
Subtotal			**¥169,137**	**¥169,137**	**164,621**	**¥4,516**
Receivables:						
Loans					**2,061,346**	
Allowance for doubtful receivables					**(17,545)**	
Subtotal		**¥244**	**2,038,484**	**2,038,728**	**2,043,800**	**(5,071)**
Lease receivables and investments in leases					**3,153,989**	
Residual values of investments in leases					**(81,700)**	
Allowance for doubtful receivables					**(8,422)**	
Subtotal		**43,775**	**3,125,434**	**3,169,209**	**3,063,866**	**105,342**
Long-term receivables					**122,035**	
Allowance for doubtful receivables					**(66,983)**	
Subtotal			**55,051**	**55,051**	**55,051**	
Total		**¥44,019**	**¥5,388,108**	**¥5,432,127**	**¥5,327,340**	**¥104,787**
Bonds		**¥2,144,743**		**¥2,144,743**	**¥2,170,273**	**¥(25,530)**
Long-term loans from banks and other financial institutions		**4,385,750**		**4,385,750**	**4,448,320**	**(62,569)**
Loans from the securitizations of the minimum future rentals on lease contracts		**552,714**		**552,714**	**565,959**	**(13,244)**
Total		**¥7,083,209**		**¥7,083,209**	**¥7,184,554**	**¥(101,345)**

	Millions of yen					
	Fair value					
March 31, 2023	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Receivables:						
Installment sales					¥231,280	
Deferred profit on installment sales .					(9,648)	
Allowance for doubtful receivables..........					(1,063)	
Subtotal.............			¥227,514	¥227,514	220,567	¥6,947
Receivables:						
Loans......................					1,911,212	
Allowance for doubtful receivables..........					(10,128)	
Subtotal.............		¥263	1,842,492	1,842,755	1,901,084	(58,328)
Lease receivables and investments in leases					3,264,169	
Residual values of investments in leases					(83,715)	
Allowance for doubtful receivables..........					(7,259)	
Subtotal.............		79,970	3,185,697	3,265,668	3,173,194	92,473
Long-term receivables............					99,912	
Allowance for doubtful receivables..........					(68,784)	
Subtotal.............			31,128	31,128	31,128	
Total...........................		¥80,234	¥5,286,833	¥5,367,067	¥5,325,974	¥41,092

Bonds.........................		¥2,183,956		¥2,183,956	¥2,225,731	¥(41,775)
Long-term loans from banks and other financial institutions		4,137,837		4,137,837	4,213,486	(75,649)
Loans from the securitizations of the minimum future rentals on lease contracts................		600,046		600,046	604,302	(4,255)
Total...........................		¥6,921,840		¥6,921,840	¥7,043,521	¥(121,680)

March 31, 2024	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
	Thousands of U.S. dollars					
	Fair value					
Receivables:						
Installment sales					$1,141,510	
Deferred profit on installment sales					(46,469)	
Allowance for doubtful receivables					(4,834)	
Subtotal			$1,120,119	$1,120,119	1,090,206	$29,912
Receivables:						
Loans					13,651,298	
Allowance for doubtful receivables					(116,195)	
Subtotal		$1,619	13,499,895	13,501,514	13,535,103	(33,588)
Lease receivables and investments in leases					20,887,345	
Residual values of investments in leases					(541,060)	
Allowance for doubtful receivables					(55,778)	
Subtotal		289,900	20,698,239	20,988,140	20,290,506	697,633
Long-term receivables					808,178	
Allowance for doubtful receivables					(443,596)	
Subtotal			364,581	364,581	364,581	
Total		$291,520	$35,682,835	$35,974,355	$35,280,398	$693,957

	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Bonds		$14,203,596		$14,203,596	$14,372,675	$(169,078)
Long-term loans from banks and other financial institutions		29,044,708		29,044,708	29,459,076	(414,368)
Loans from the securitizations of the minimum future rentals on lease contracts		3,660,364		3,660,364	3,748,077	(87,713)
Total		$46,908,669		$46,908,669	$47,579,829	$(671,160)

Cash and cash equivalents, time deposits other than cash equivalents, bank overdrafts, notes and accounts payable - trade, short-term loans, and commercial paper were omitted as the carrying values are approximate fair value because of their short maturities.

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

<u>The financial assets and liabilities measured at the fair values in the consolidated balance sheet</u>

Marketable and investment securities

The fair values of listed equity securities are measured at the quoted market prices and categorized as Level 1. Non-listed equity securities whose fair value is calculated by significant unobservable inputs are categorized as Level 3.

The fair values of debt securities with the quoted market prices are measured at those prices. Government bonds and municipal bonds are categorized as Level 1 and other bonds are categorized as Level 2. Among debt securities without the quoted market prices, the carrying values of debt securities with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term as long as there are no significant fluctuations in the credit standing. The fair values of debt securities with fixed interest rates are determined by discounting the future cash flows at a rate adding spread to a risk-free rate at the fiscal year end. These are calculated by observable inputs and categorized as Level 2.

Derivatives

The fair values of derivative transactions are measured at the offered price by financial institutions or discounted present values measured by using observable inputs, and categorized as Level 2. Interest rate swaps, foreign exchange forward contracts and currency interest rate swaps that are accounted for by hedge accounting are treated together with hedged long-term borrowings, etc. Therefore, their fair values are included in the fair values of hedged assets or liabilities. (See “Long-term loans from banks and other financial institutions” on below “The financial assets and liabilities not measured at the fair values in the consolidated balance sheet”).

<u>The financial assets and liabilities not measured at the fair values in the consolidated balance sheet</u>

Receivables — Installment sales

The fair values of receivables — installment sales are measured by discounting the amounts to be received based on the collection schedule at the interest rate assumed when similar and new installment sales are made, based on the same internal rating and periods, or by discounting the amount to be received based the collection schedule reduced by the amount of the estimated bad debts at a risk-free rate at the fiscal year end, based on the same internal rating and periods. These are categorized as Level 3.

Lease receivables and investments in leases

The fair values of lease receivables and investments in leases are measured by discounting the amount to be received based on the collection schedule reduced by the amount of the estimate for the administrative and maintenance expenses at the interest rates assumed when similar and new lease dealings are made, based on the same internal rating and periods, or by discounting the amount to be received based the collection schedule reduced by the amount of the estimate for the administrative and maintenance expenses and estimated bad debts at a risk-free rate at the fiscal year end, based on the same internal rating and periods.

Those calculated by significant unobservable inputs are categorized as Level 3 and others are categorized as Level 2.

Receivables — Loans

The carrying values of loan receivables with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term as long as there are no significant fluctuations in the credit standing after lending. The fair values of loan receivables with fixed interest rates are measured by discounting the amounts to be received, including principal and interest at the interest rates assumed when similar and new lending is made, based on the same internal rating and periods, or by discounting the total of principal and interest reduced by the estimated bad debts at a risk-free rate at the fiscal year end, based on the same internal rating and periods. These are categorized as Level 3.

Long-term receivables
The fair values of long-term receivables, which are composed of receivables to customers in distress, are measured at carrying value reduced by the estimated uncollectible amount based on the estimated amount of the collateral value and the recoverable amount by guarantee. These are categorized as Level 3.

Bonds
The carrying values of bonds settled in the short-term approximate fair value. The carrying values of bonds settled in the long term with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term and there were no significant fluctuations in the credit standing of the Companies after issuance. The fair values of other bonds with the quoted market prices are measured by those prices. The fair values of other bonds without the quoted market prices are measured by discounting the total amount to be paid, including principal and interest based on the specific periods at the interest rates assumed when issuing a new bond with similar terms. These are categorized as Level 2.

Loans from the securitizations of the minimum future rentals on lease contracts
The carrying values of loans from the securitizations of the minimum future rentals on lease contracts settled in the short-term approximate fair value. The carrying values of loans from the securitizations of the minimum future rentals on leases settled in the long term with floating interest rates approximate fair value because the floating interest rate will be determined by the market interest rate in the short term and there are no significant fluctuations in the credit standing of the Companies after securitizing. The fair values of other loans from the securitizations of the minimum future rentals on lease contracts are measured by discounting the cash flows to be paid, including principal and interest based on specific period, at interest rates assumed when a similar and new securitization is made. These are categorized as Level 2.

Long-term loans from banks and other financial institutions
The carrying values of long-term loans with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term and there are no significant fluctuations in the credit standing of the Companies after borrowing. The fair values of long-term loans with fixed interest rates are measured by discounting the total amount to be paid, including principal and interest (*) based on specific period, at interest rates assumed when a similar and new borrowing is made. These are categorized as Level 2.

(*) Regarding the long-term loans involved in the interest rate swap contracts that qualify for hedge accounting and meet specific matching criteria, the total amount of principal and interest at the post-swap rate is applied.
Regarding the long-term loans involved in the cross-currency interest rate swap contracts that qualify for hedge accounting and meet specific matching criteria, the total amount of principal and interest is considered as borrowings of yen currency at a fixed rate.

Information on the financial instruments measured at the fair values in the consolidated balance sheet that categorized as Level 3 is summarized below:

Quantitative information related to significant unobservable inputs

March 31, 2024	Valuation method	Significant unobservable inputs	Input range	Weighted average of input
Marketable and investment securities:				
Equity securities	Multiple method	EV/RAV ratio	1.37	1.37

In addition to the above, for certain unlisted equity securities held by the consolidated foreign subsidiaries that adopted IFRS Accounting Standards, present value method is applied where future cash flows estimated with consideration of profitability, capital expenditure and repayment of debts is used as significant unobservable inputs. These are categorized as Level 3. Large fluctuation of estimated future cash flows cause significant fluctuation of stock values.

Information for others has been omitted as it is immaterial.

March 31, 2023	Valuation method	Significant unobservable inputs	Input range	Weighted average of input
Marketable and investment securities:				
Equity securities	Multiple method	EV/RAV ratio	1.37	1.37

Information for others has been omitted as it is immaterial.

Reconciliation from the beginning balance to the ending balance

	Millions of yen		
	2024		
	Marketable and investment securities		
	Equity securities	Other	Total
Beginning balance	**¥21,238**	**¥1,618**	**¥22,857**
Income and other comprehensive income:			
Income (1)...	**125**	**(31)**	**93**
Other comprehensive income (2)........	**2,203**	**4**	**2,207**
Purchase, sales, and redemption:			
Purchase	**61**		**61**
Sales and redemption	**(1,288)**	**(513)**	**(1,801)**
Reclassified to Level 3			
Reclassified from Level 3			
Ending balance	**22,340**	**1,077**	**23,417**
Income on financial assets and liabilities held at end of year (1).......	**85**	**(31)**	**54**

	Millions of yen		
	2023		
	Marketable and investment securities		
	Equity securities	Other	Total
Beginning balance	¥16,194	¥2,331	¥18,526
Income and other comprehensive income:			
Income (1)...	(273)	(167)	(441)
Other comprehensive income (2)........	1,711	1	1,712
Purchase, sales, and redemption:			
Purchase (3)	7,140	216	7,356
Sales and redemption	(3,534)	(762)	(4,297)
Reclassified to Level 3			
Reclassified from Level 3			
Ending balance	21,238	1,618	22,857
Income on financial assets and liabilities held at end of year (1).......	(273)	(167)	(441)

	Thousands of U.S. dollars		
	2024		
	Marketable and investment securities		
	Equity securities	Other	Total
Beginning balance	**$140,655**	**$10,717**	**$151,372**
Income and other comprehensive income:			
Income (1)	**828**	**(210)**	**618**
Other comprehensive income (2)	**14,589**	**27**	**14,617**
Purchase, sales, and redemption:			
Purchase	**406**		**406**
Sales and redemption	**(8,531)**	**(3,401)**	**(11,932)**
Reclassified to Level 3			
Reclassified from Level 3			
Ending balance	**147,948**	**7,133**	**155,081**
Income on financial assets and liabilities held at end of year (1)	**568**	**(210)**	**358**

Notes:

(1) Mainly included in "Revenues" for the year ended March 31, 2024, and "Other — net" for the year ended March 31, 2023, in the consolidated statements of income.

(2) Mainly included in "Foreign currency translation adjustments" for the years ended March 31, 2024 and 2023, in the consolidated statements of comprehensive income.

(3) Purchase includes increases due to transfer from other accounts for the year ended March 31, 2023.

Details of fair value measurement

Measurement of fair value is controlled by Administrative department which is independent from sales department. The fair value was calculated using various appraisal models appropriate to each financial instrument, considering their nature and risk. Administrative department monitors changes in important indexes that may affect fluctuation of fair value to assess the adequacy of fair value measurement.

Effect on fair value when significant unobservable inputs changed

EV/RAV ratio

EV/RAV ratio is a ratio that enterprise value of comparable companies divided by restricted asset value of those companies. Large fluctuation of the ratio causes large fluctuation of fair value of equity securities.

Carrying amounts of nonmarketable equity securities and investments in partnerships, etc., that the equity interest equivalents are recorded as net in the consolidated balance sheets

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Nonmarketable equity securities (1):			
Shares of subsidiaries and associated companies	**¥132,405**	¥125,362	**$876,858**
Unlisted shares	**9,734**	¥9,333	**64,466**
Total	**¥142,140**	¥134,696	**$941,324**
Investments in partnership, etc. (2):			
Silent partnership interests and other	**¥207,586**	¥122,904	**$1,374,744**
Unconsolidated subsidiaries and associated companies		57,291	
Total	**¥207,586**	¥180,195	**$1,374,744**

Notes:

(1) Nonmarketable equity securities include unlisted equity securities and the fair values are not subject to fair value disclosure according to Paragraph 5 of *Implementation Guidance on Disclosure about Fair Value of Financial Instruments* (ASBJ Guidance No. 19).

(2) Investments in partnership, etc., are mainly investments in silent partnerships and limited partnerships and the fair values are not subject to fair value disclosure according to Paragraph 24-16 of *Implementation Guidance on Accounting Standard for Fair Value Measurement*.

These financial instruments are not included in "Marketable securities" in the tables in (5) Financial instruments categorized by fair value hierarchy.

(6) Maturity analysis for receivables and securities with contractual maturities

	Millions of yen					
March 31, 2024	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	**¥335,307**					
Time deposits other than cash equivalents	**27,466**					
Bank overdrafts	**3,704**					
Receivables						
Installment sales (1)	**58,790**	**¥43,191**	**¥31,388**	**¥20,360**	**¥10,348**	**¥8,288**
Loans	**903,899**	**390,991**	**268,182**	**191,509**	**137,356**	**169,406**
Lease receivables and investments in leases (2)	**1,015,483**	**809,534**	**603,049**	**407,653**	**254,312**	**617,794**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**2,137**	**1,795**	**2,544**	**3,071**	**1,997**	**20,480**
Other	**428**	**58,473**	**17,042**	**5,706**	**31,179**	**65,948**
Total	**¥2,347,217**	**¥1,303,986**	**¥922,207**	**¥628,301**	**¥435,194**	**¥881,918**

	Millions of yen					
March 31, 2023	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	¥460,486					
Time deposits other than cash equivalents	126,952					
Bank overdrafts	2,249					
Receivables						
Installment sales (1)	79,993	¥58,355	¥41,266	¥26,640	¥13,506	¥11,516
Loans	838,619	340,672	268,551	164,075	128,981	170,310
Lease receivables and investments in leases (2)	1,049,970	817,208	632,576	402,751	247,334	650,363
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	1,003	5,077	1,651	2,009	2,453	21,038
Other	2,209	36,407	20,115	20,889	6,383	78,523
Total	¥2,561,485	¥1,257,722	¥964,162	¥616,366	¥398,658	¥931,752

	Thousands of U.S. dollars					
March 31, 2024	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	**$2,220,576**					
Time deposits other than cash equivalents	**181,898**					
Bank overdrafts	**24,533**					
Receivables						
Installment sales (1)	**389,341**	**$286,035**	**$207,870**	**$134,836**	**$68,534**	**$54,892**
Loans	**5,986,091**	**2,589,347**	**1,776,046**	**1,268,273**	**909,642**	**1,121,896**
Lease receivables and investments in leases (2)	**6,725,053**	**5,361,158**	**3,993,707**	**2,699,690**	**1,684,189**	**4,091,351**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**14,156**	**11,890**	**16,848**	**20,341**	**13,229**	**135,631**
Other	**2,836**	**387,241**	**112,861**	**37,791**	**206,487**	**436,747**
Total	**$15,544,487**	**$8,635,672**	**$6,107,332**	**$4,160,933**	**$2,882,084**	**$5,840,519**

(1) Including unrealized profit of installment sales.
(2) Including unearned interest income.
(3) Long-term receivables to customers in distress, whose repayment schedule cannot be expected, are not presented in the above table.
(4) Please see Note 13 for information on the maturity of short-term borrowings and long-term debt.

27. Derivatives

Derivative transactions to which hedge accounting is not applied as of March 31, 2024 and 2023, were as follows:

	Millions of yen							
	2024				2023			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Currency interest rate swap contracts:								
U.S. dollars payment and Japanese yen receipt					¥10,000		¥(2,437)	¥(2,437)
Indonesia rupiah payment and Japanese yen receipt	**¥950**	**¥950**	**¥(251)**	**¥(251)**	1,550	¥1,350	(146)	(146)
Foreign exchange forward contracts:								
Selling Sterling pound	**3,714**		**(822)**	**(822)**	8,947	3,714	(1,404)	(1,404)
Buying Euro	**32**				58			
Buying Chinese yuan	**6**							
Interest rate swap contracts:								
Fixed-rate payment and floating-rate receipt	**8,288**	**2,000**	**(176)**	**(176)**	9,754	8,288	(334)	(334)

	Thousands of U.S. dollars			
	2024			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Currency interest rate swap contracts:				
U.S. dollars payment and Japanese yen receipt				
Indonesia rupiah payment and Japanese yen receipt	**$6,291**	**$6,291**	**$(1,664)**	**$(1,664)**
Foreign exchange forward contracts:				
Selling Sterling pound	**24,598**		**(5,445)**	**(5,445)**
Buying Euro	**216**		**2**	**2**
Buying Chinese yuan	**40**		**1**	**1**
Interest rate swap contracts:				
Fixed-rate payment and floating-rate receipt	**54,887**	**13,245**	**(1,170)**	**(1,170)**

Derivative transactions to which hedge accounting is applied as of March 31, 2024 and 2023, were as follows:

		Millions of yen		
		2024		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Indonesia rupiah payment and U.S. dollars receipt	Loans	¥13,103	¥5,811	¥81
Thai baht payment and U.S. dollars receipt	Loans	9,647	8,479	(21)
Sterling pound payment and U.S. dollars receipt	Bonds	92,814	61,018	(3,119)
Singapore dollars payment and U.S. dollars receipt	Loans	8,534	3,065	135
Indonesia rupiah payment and Japanese yen receipt	Loans	1,900	500	(231)
Thai baht payment and Japanese yen receipt	Loans and bonds	4,000		(807)
Sterling pound payment and Japanese yen receipt	Loans and bonds	291,800	201,000	(50,942)
Sterling pound payment and Euro receipt	Loans and bonds	273,590	123,246	(5,182)
Sterling pound payment and Hong Kong dollars receipt	Bonds	30,557	8,896	529
Sterling pound payment and Australian dollars receipt	Bonds	43,881	43,881	(463)
Sterling pound payment and South Africa rand receipt	Bonds	3,196		57
Indonesia rupiah payment and Singapore dollars receipt	Loans	626	298	49
Cross-currency interest rate swap contracts:				
Euro payment and Thai baht receipt	Loans	114	38	
Foreign exchange forward contracts:				
Buying U.S. dollars	Forecast transaction	315		
Foreign exchange forward contracts:				
Selling U.S. dollars	Forecast transaction	38	16	13
Buying Euro	Commercial paper	49,135		(800)
Buying U.S. dollars	Commercial paper	3,028		(32)
Buying Japanese yen	Loans	7,000		(482)
Interest rate swap contracts:				
Floating-rate payment and fixed-rate receipt	Loans and bonds	68,647	2,677	(399)
Fixed-rate payment and floating-rate receipt	Loans and bonds	1,587,394	1,212,540	36,668
Interest rate swap contracts:				
Fixed-rate payment and floating-rate receipt	Loans	107,299	81,407	

		Millions of yen		
		2023		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Indonesia rupiah payment and U.S. dollars receipt	Loans	¥5,526	¥2,723	¥127
Thai baht payment and U.S. dollars receipt	Loans	10,104	6,892	299
Sterling pound payment and U.S. dollars receipt	Bonds	71,839	52,477	142
Singapore dollars payment and U.S. dollars receipt	Loans	11,398	8,861	133
Indonesia rupiah payment and Japanese yen receipt	Loans	1,000	1,000	(117)
Thai baht payment and Japanese yen receipt	Loans and bonds	5,500	4,000	(645)
Sterling pound payment and Japanese yen receipt	Loans and bonds	311,700	157,300	(31,938)
Sterling pound payment and Euro receipt	Loans and bonds	171,221	120,219	(1,657)
Sterling pound payment and Hong Kong dollars receipt	Bonds	10,035	7,824	(9)
Sterling pound payment and Australian dollars receipt	Bonds	11,659	8,520	(556)
Sterling pound payment and Chinese yuan receipt	Bonds	1,942		64
Sterling pound payment and Swiss franc receipt	Bonds	9,938		256
Sterling pound payment and South Africa rand receipt	Bonds	1,498	1,498	11
Indonesia rupiah payment and Singapore dollars receipt	Loans	721	562	17
Cross-currency interest rate swap contracts:				
Euro payment and Thai baht receipt	Loans	172	105	
Foreign exchange forward contracts:				
Buying U.S. dollars	Forecast transaction	28		
Foreign exchange forward contracts:				
Selling U.S. dollars	Forecast transaction	282	38	58
Buying Euro	Commercial paper	76,271		(386)
Buying U.S. dollars	Commercial paper	14,508		(64)
Interest rate swap contracts:				
Floating-rate payment and fixed-rate receipt	Loans and bonds	90,230	57,118	(1,311)
Fixed-rate payment and floating-rate receipt	Loans and bonds	1,405,334	920,949	54,977
Interest rate swap contracts:				
Fixed-rate payment and floating-rate receipt	Loans	132,326	99,581	

	Hedged item	Thousands of U.S. dollars 2024 Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Indonesia rupiah payment and U.S. dollars receipt	Loans	**$86,779**	**$38,487**	**$539**
Thai baht payment and U.S. dollars receipt	Loans	**63,890**	**56,152**	**(141)**
Sterling pound payment and U.S. dollars receipt	Bonds	**614,664**	**404,094**	**(20,661)**
Singapore dollars payment and U.S. dollars receipt	Loans	**56,517**	**20,302**	**899**
Indonesia rupiah payment and Japanese yen receipt	Loans	**12,582**	**3,311**	**(1,534)**
Thai baht payment and Japanese yen receipt	Loans and bonds	**26,490**		**(5,347)**
Sterling pound payment and Japanese yen receipt	Loans and bonds	**1,932,450**	**1,331,125**	**(337,365)**
Sterling pound payment and Euro receipt	Loans and bonds	**1,811,855**	**816,200**	**(34,318)**
Sterling pound payment and Hong Kong dollars receipt	Bonds	**202,365**	**58,916**	**3,505**
Sterling pound payment and Australian dollars receipt	Bonds	**290,605**	**290,605**	**(3,072)**
Sterling pound payment and South Africa rand receipt	Bonds	**21,165**		**378**
Indonesia rupiah payment and Singapore dollars receipt	Loans	**4,151**	**1,976**	**326**
Cross-currency interest rate swap contracts:				
Euro payment and Thai baht receipt	Loans	**756**	**255**	
Foreign exchange forward contracts:				
Buying U.S. dollars	Forecast transaction	**2,088**		
Foreign exchange forward contracts:				
Selling U.S. dollars	Forecast transaction	**254**	**110**	**90**
Buying Euro	Commercial paper	**325,398**		**(5,300)**
Buying U.S. dollars	Commercial paper	**20,054**		**(212)**
Buying Japanese yen	Loans	**46,357**		**(3,196)**
Interest rate swap contracts:				
Floating-rate payment and fixed-rate receipt	Loans and bonds	**454,622**	**17,729**	**(2,645)**
Fixed-rate payment and floating-rate receipt	Loans and bonds	**10,512,546**	**8,030,067**	**242,840**
Interest rate swap contracts:				
Fixed-rate payment and floating-rate receipt	Loans	**710,595**	**539,123**	

The fair values of derivative transactions are measured at the forward foreign exchange quotation, the offered price by financial institutions, or the price calculated according to the present discounted value, and so on.

The contract amounts of derivatives, which are shown in the above tables, do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

The cross-currency interest rate swap contracts, interest rate swap contracts, and foreign currency exchange contracts that qualify for hedge accounting and meet specific matching criteria are assigned to the associated loans from banks and other financial institutions and lease receivables recorded in the consolidated balance sheets at March 31, 2024 and 2023, and included in the fair value of hedged items.

28. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Net unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥8,754**	¥(311)	**$57,978**
Reclassification adjustments to profit	**(8,551)**	(886)	**(56,632)**
Amount before income tax effect	**203**	(1,198)	**1,346**
Income tax effect	**(62)**	734	**(416)**
Total	**140**	(463)	**930**
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	**12,356**	53,847	**81,832**
Reclassification adjustments to profit	**(36,011)**	(2,591)	**(238,487)**
Amount before income tax effect	**(23,654)**	51,256	**(156,655)**
Income tax effect	**5,170**	(11,624)	**34,242**
Total	**(18,484)**	39,631	**(122,412)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**104,217**	93,891	**690,181**
Reclassification adjustments			
Amount before income tax effect	**104,217**	93,891	**690,181**
Income tax effect			
Total	**104,217**	93,891	**690,181**
Defined retirement benefit plans:			
Adjustments arising during the year	**7,392**	2,892	**48,959**
Reclassification adjustments to profit	**(150)**	(85)	**(995)**
Amount before income tax effect	**7,242**	2,806	**47,964**
Income tax effect	**(2,249)**	(952)	**(14,898)**
Total	**4,992**	1,854	**33,065**
Share of other comprehensive income in associates:			
Gains arising during the year	**6,521**	11,204	**43,187**
Reclassification adjustments to profit	**(1,828)**	1,305	**(12,111)**
Total	**4,692**	12,510	**31,075**
Total other comprehensive income	**¥95,558**	¥147,424	**$632,840**

29. Segment Information

Under ASBJ Statement No. 17, *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information*, and ASBJ Guidance No. 20, *Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information*, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

Effective April 1, 2022, the Companies integrated business organizations with similar functions and roles in preparation for the 2025 MTMP. Following the organizational changes, the Companies have changed the reportable segments to the following seven segments, which are “Customer Solutions,” “Global Business,” “Environment Energy & Infrastructure,” “Aviation,” “Logistics,” “Real Estate,” and “Mobility,” effective April 1, 2022.

Following the organizational changes effective April 1, 2023, the name of the reportable segment “Environment, Energy & Infrastructure” was changed to “Environment & Energy” from April 1, 2023. The change was merely a name change, and there were no impacts on classification or amounts of segment information, etc.

Description of new reportable segments is as follows:

Reportable segment	Description of services and business
Customer Solutions	Finance solutions for companies and government agencies, energy-saving business, sales finance provided through collaboration with vendors, real estate leasing, and financial services
Global Business	Finance solutions, sales finance provided through collaboration with vendors in Europe, the Americas, China, and ASEAN region
Environment & Energy	Renewable energy power generation business, and environment related finance solution business
Aviation	Aircraft leasing business and aircraft engine leasing business
Logistics	Marine container leasing business, and railway freight car leasing business
Real Estate	Real estate securitization finance, real estate revitalization investment business, and real estate asset management business
Mobility	Auto leasing business and supplementary services

The segment information for the year ended March 31, 2023, is presented under the new segment name.

2. Methods of measurement for the amounts of revenues, profit or loss, assets, and other items for each reportable segment
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about revenues, profit or loss, assets, and other items

	Millions of yen						
	Reportable segment						
Year Ended March 31, 2024	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Revenue from external customers	**¥1,043,690**	**¥428,161**	**¥49,807**	**¥208,281**	**¥124,659**	**¥90,558**	**¥3,845**
Intersegment revenue or transfers	**1,343**	**365**	**3**			**17**	
Total	**1,045,033**	**428,526**	**49,810**	**208,281**	**124,659**	**90,576**	**3,845**
Segment profit	**38,159**	**16,609**	**7,331**	**27,338**	**17,835**	**11,934**	**2,796**
Segment assets (3)	**2,966,569**	**3,070,801**	**416,600**	**2,020,037**	**1,099,079**	**525,414**	**51,952**
Other items:							
Depreciation	**92,463**	**95,342**	**18,315**	**85,021**	**51,322**	**3,133**	**1,124**
Amortization of goodwill		**1,105**		**3,356**	**2,070**	**511**	**71**
Cost of funds and interest expense	**14,553**	**109,555**	**8,530**	**57,388**	**28,395**	**4,095**	**810**
Equity in earnings of affiliates	**971**	**112**	**3,958**	**106**	**214**	**283**	**3,630**
Other income	**6,635**		**5**	**1,481**		**4,822**	
Gain on sales of investment securities	**5,160**		**5**	**1,481**			
Gain on sales of shares of subsidiaries and affiliates	**1,475**						
Gain on step acquisition						**4,822**	
Other expenses	**890**	**393**		**45**			
Loss on sales of investment securities		**250**		**45**			
Loss on sales of shares of subsidiaries and affiliates	**890**	**142**					
Taxes	**16,154**	**7,280**	**(1,981)**	**6,355**	**5,073**	**8,914**	**(366)**
Investments in equity method affiliates	**17,055**	**9,674**	**94,901**	**4,694**	**2,062**	**17,369**	**32,091**
Increase in property and equipment and intangible assets	**97,389**	**238,103**	**16,651**	**398,067**	**32,808**	**92,680**	**9,087**

Year Ended March 31, 2024	Millions of yen Adjustments (1)	 Consolidated (2)
Revenues:		
Revenue from external customers	¥1,578	¥1,950,583
Intersegment revenue or transfers	(1,729)	
Total	(151)	1,950,583
Segment profit	1,837	123,842
Segment assets (3)	999,401	11,149,858
Other items:		
Depreciation	380	347,103
Amortization of goodwill	2,117	9,232
Cost of funds and interest expense	(3,140)	220,189
Equity in earnings of affiliates		9,278
Other income	4,427	17,372
Gain on sales of investment securities	595	7,243
Gain on sales of shares of subsidiaries and affiliates	3,831	5,306
Gain on step acquisition		4,822
Other expenses		1,329
Loss on sales of investment securities		296
Loss on sales of shares of subsidiaries and affiliates		1,032
Taxes	1,583	43,013
Investments in equity method affiliates		177,850
Increase in property and equipment and intangible assets	4,126	888,915

Year Ended March 31, 2023	Millions of yen Reportable segment Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Revenue from external customers	¥ 1,082,135	¥ 331,775	¥ 48,104	¥ 167,022	¥ 116,671	¥ 93,609	¥ 55,796
Intersegment revenue or transfers	1,333		5			70	47
Total	1,083,469	331,775	48,109	167,022	116,671	93,680	55,843
Segment profit	38,167	29,013	11,657	6,209	15,385	12,645	3,798
Segment assets (3)	3,227,742	2,644,283	433,296	1,640,232	1,092,910	447,277	41,402
Other items:							
Depreciation	104,644	77,151	14,846	83,174	54,415	3,018	14,224
Amortization of goodwill		841		3,138	1,935	500	67
Cost of funds and interest expense	12,702	58,660	6,161	38,647	22,810	5,520	732
Equity in earnings of affiliates	1,277	(60)	7,691	155	156	146	2,615
Other income	1,088	7,194	2,694	109			
Gain on sales of investment securities	1,088		1,534	109			
Gain on revaluation of investment securities		7,194					
Gain on step acquisition			1,159				
Other expenses	29	2,506	366			1,006	
Loss on sales of investment securities	29	26					
Loss on revaluation of investment securities		2,000	366				
Loss on sales of shares of subsidiaries and affiliates						1,006	
Impairment loss		479					
Taxes	17,042	10,852	4,973	2,791	4,601	(51)	356
Investments in equity method affiliates	21,291	3,835	86,712	4,291	1,927	15,025	30,024
Increase in property and equipment and intangible assets	67,069	174,698	14,378	156,170	49,971	5,445	14,428

Year Ended March 31, 2023	Millions of yen Adjustments (1)	Consolidated (2)
Revenues:		
Revenue from external customers	¥ 1,116	¥ 1,896,231
Intersegment revenue or transfers	(1,457)	
Total	(340)	1,896,231
Segment profit	(636)	116,241
Segment assets (3)	1,199,051	10,726,196
Other items:		
Depreciation	(1,550)	349,926
Amortization of goodwill	2,117	8,601
Cost of funds and interest expense	(832)	144,402
Equity in earnings of affiliates		11,982
Other income	263	11,350
Gain on sales of investment securities	263	2,996
Gain on revaluation of investment securities		7,194
Gain on step acquisition		1,159
Other expenses	354	4,262
Loss on sales of investment securities	350	407
Loss on revaluation of investment securities	3	2,369
Loss on sales of shares of subsidiaries and affiliates		1,006
Impairment loss		479
Taxes	(5,115)	35,451
Investments in equity method affiliates		163,109
Increase in property and equipment and intangible assets	14,906	497,068

	Thousands of U.S. dollars						
	Reportable segment						
Year Ended March 31, 2024	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Revenue from external customers	**$6,911,857**	**$2,835,506**	**$329,849**	**$1,379,344**	**$825,561**	**$599,725**	**$25,470**
Intersegment revenue or transfers	**8,895**	**2,417**	**23**			**116**	
Total	**6,920,753**	**2,837,924**	**329,872**	**1,379,344**	**825,561**	**599,841**	**25,470**
Segment profit	**252,714**	**109,999**	**48,549**	**181,049**	**118,116**	**79,033**	**18,521**
Segment assets (3)	**19,646,157**	**20,336,435**	**2,758,946**	**13,377,731**	**7,278,675**	**3,479,564**	**344,053**
Other items:							
Depreciation	**612,340**	**631,410**	**121,294**	**563,054**	**339,883**	**20,750**	**7,445**
Amortization of goodwill		**7,320**		**22,228**	**13,711**	**3,389**	**470**
Cost of funds and interest expense	**96,380**	**725,533**	**56,492**	**380,059**	**188,051**	**27,122**	**5,366**
Equity in earnings of affiliates	**6,435**	**746**	**26,216**	**703**	**1,423**	**1,879**	**24,043**
Other income	**43,945**		**36**	**9,812**		**31,935**	
Gain on sales of investment securities	**34,175**		**36**	**9,812**			
Gain on sales of shares of subsidiaries and affiliates	**9,770**						
Gain on step acquisition						**31,935**	
Other expenses	**5,894**	**2,607**		**300**			
Loss on sales of investment securities		**1,661**		**300**			
Loss on sales of shares of subsidiaries and affiliates	**5,894**	**945**					
Taxes	**106,982**	**48,215**	**(13,123)**	**42,086**	**33,602**	**59,033**	**(2,427)**
Investments in equity method affiliates	**112,953**	**64,069**	**628,488**	**31,086**	**13,661**	**115,032**	**212,524**
Increase in property and equipment and intangible assets	**644,961**	**1,576,845**	**110,274**	**2,636,209**	**217,275**	**613,778**	**60,184**

Year Ended March 31, 2024	Thousands of U.S. dollars Reportable segment Adjustments (1)	 Consolidated (2)
Revenues:		
Revenue from external customers	**$10,453**	**$12,917,769**
Intersegment revenue or transfers	**(11,453)**	
Total	**(1,000)**	**12,917,769**
Segment profit	**12,165**	**820,150**
Segment assets (3)	**6,618,555**	**73,840,120**
Other items:		
Depreciation	**2,519**	**2,298,696**
Amortization of goodwill	**14,022**	**61,142**
Cost of funds and interest expense	**(20,798)**	**1,458,207**
Equity in earnings of affiliates		**61,449**
Other income	**29,318**	**115,048**
Gain on sales of investment securities	**3,945**	**47,969**
Gain on sales of shares of subsidiaries and affiliates	**25,372**	**35,142**
Gain on step acquisition		**31,935**
Other expenses		**8,802**
Loss on sales of investment securities		**1,961**
Loss on sales of shares of subsidiaries and affiliates		**6,840**
Taxes	**10,489**	**284,858**
Investments in equity method affiliates		**1,177,816**
Increase in property and equipment and intangible assets	**27,329**	**5,886,859**

Notes:

(1) "Adjustments" in revenues contain adjustments of ¥(1,541) million ($(10,211) thousand) and ¥(3,062) million for the years ended March 31, 2024 and 2023, respectively, due to purchase method accounting applied to the merger of Hitachi Capital.

"Adjustments" in segment profit contain mainly Company-wide expenses and revenues, which are not attributed to each reportable segment. "Adjustments" in segment profit also contain adjustments due to purchase method accounting applied to the merger of Hitachi Capital of ¥1,387 million ($9,189 thousand) and ¥2,775 million for the years ended March 31, 2024 and 2023, respectively.

"Adjustments" in segment assets contain goodwill recognized when Diamond Lease Company Limited and UFJ Central Leasing Company Limited merged and became Mitsubishi UFJ Lease in 2007, investment securities held for Company-wide purpose which are not attributed to each reportable segment, and elimination of intersegment transactions amounting to ¥29,016 million ($192,164 thousand) and ¥105,820 million, as of March 31, 2024 and 2023, respectively. The total of such assets and the segment assets which attributed to each reportable segment, was ¥10,179,473 million ($67,413,729 thousand) and ¥9,632,966 million, as of March 31, 2024 and 2023, respectively. The remaining amount of "Adjustments" in segment assets is the difference between the total amount of segment assets, including corporate division and the total assets on the consolidated balance sheets, and mainly contains the assets other than the ones which are attributed to each reportable segment, such as cash and cash equivalents, own-used assets amounting to ¥970,385 million ($6,426,390 thousand) and ¥1,093,230 million, as of March 31, 2024 and 2023, respectively.

"Adjustments" in amortization of goodwill represents amortization of goodwill recognized at the time of merger in 2007.

"Adjustments" in cost of funds and interest expense represent the difference between the total amount of funding cost on consolidated basis and the funding cost attributed to each reportable segment.

"Adjustments" in taxes represents difference between the total amount of taxes on consolidated basis and the taxes attributed to each reportable segment.

(2) Segment profit is reconciled to reach net income attributable to owners of the parent in the consolidated statements of income.

(3) Segment assets include operating assets, investments in the affiliates accounted for by the equity method, goodwill, and investment securities.

4. Information about products and services

	Millions of yen				
	2024				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥1,588,627**	**¥84,762**	**¥130,106**	**¥147,086**	**¥1,950,583**

	Millions of yen				
	2023				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥1,557,642	¥94,841	¥94,886	¥148,862	¥1,896,231

	Thousands of U.S. dollars				
	2024				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$10,520,711**	**$561,341**	**$861,635**	**$974,080**	**$12,917,769**

5. Information about geographical areas

(1) Revenues

Millions of yen						
2024						
		Europe/ Middle and Near East				
Japan	North America	United Kingdom	Other	Asia/Oceania	Other	Total
¥1,181,741	**¥188,488**	**¥236,434**	**¥189,442**	**¥133,094**	**¥21,381**	**¥1,950,583**

Revenues are classified by country or region based on the location of customers.

Millions of yen						
2023						
		Europe/ Middle and Near East				
Japan	North America	United Kingdom	Other	Asia/Oceania	Other	Total
¥1,277,960	¥142,882	¥173,946	¥154,266	¥127,891	¥19,285	¥1,896,231

Revenues are classified by country or region based on the location of customers.

Thousands of U.S. dollars						
2024						
		Europe/ Middle and Near East				
Japan	North America	United Kingdom	Other	Asia/Oceania	Other	Total
$7,826,100	**$1,248,270**	**$1,565,793**	**$1,254,588**	**$881,420**	**$141,596**	**$12,917,769**

"Revenues" in the "United Kingdom" previously included in "Europe/Middle and Near East" in the year ended March 31, 2023, is independently presented from the year ended March 31, 2024, due to increased materiality. "5. Information about geographical areas (1) Revenues" for the year ended March 31, 2023, has been reclassified to reflect the change.

As a result, "Revenues" of ¥ 328,212 million previously presented in "Europe/Middle and Near East" is reclassified as the "United Kingdom" of ¥ 173,946 and "Europe/Middle and Near East – Other" of ¥ 154,266, respectively, for the year ended March 31, 2023.

(2) Property and equipment

Millions of yen							
2024							
	North America		Europe/ Middle and Near East				
Japan	United States	Other	United Kingdom	Other	Asia/Oceania	Other	Total
¥878,220	**¥698,401**	**¥213,448**	**¥427,813**	**¥1,072,867**	**¥742,969**	**¥202,993**	**¥4,236,715**

Millions of yen							
2023							
	North America		Europe/ Middle and Near East				
Japan	United States	Other	United Kingdom	Other	Asia/Oceania	Other	Total
¥810,109	¥565,163	¥160,398	¥344,282	¥866,363	¥689,033	¥193,556	¥3,628,907

Thousands of U.S. dollars							
2024							
	North America		Europe/ Middle and Near East				
Japan	United States	Other	United Kingdom	Other	Asia/Oceania	Other	Total
$5,816,032	**$4,625,174**	**$1,413,567**	**$2,833,199**	**$7,105,083**	**$4,920,328**	**$1,344,330**	**$28,057,717**

"Property and equipment" in the "United Kingdom" previously included in "Europe/Middle and Near East" in the year ended March 31, 2023, is independently presented from the year ended March 31, 2024, due to increased materiality. "5. Information about geographical areas (2) Property and equipment" for the year ended March 31, 2023, has been reclassified to reflect this change.

As a result, "Property and equipment" of ¥ 1,210,645 million previously presented in "Europe/Middle and Near East" is reclassified as the "United Kingdom" of ¥ 344,282 and "Europe/Middle and Near East – Other" of ¥ 866,363, respectively, for the year ended March 31, 2023.

6. Information about impairment loss for long－lived assets by reportable segment

	Millions of yen						
	2024						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Impairment loss................			**¥5,816**	**¥2,713**			

	Millions of yen	
	2024	
	Adjustments	Consolidated
Impairment loss................		**¥ 8,529**

	Millions of yen						
	2023						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Impairment loss................		¥ 479		¥ 5,946	¥ 2,473		

	Millions of yen	
	2023	
	Adjustments	Consolidated
Impairment loss................		¥ 8,899

	Thousands of U.S. dollars						
	2024						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Impairment loss................			**$38,516**	**$17,970**			

	Thousands of U.S. dollars	
	2024	
	Adjustments	Consolidated
Impairment loss................		**$56,487**

For the year ended March 31, 2024, the amounts reported in “Environment & Energy” is recorded in costs as impairment loss of other operating assets. The amounts reported in “Aviation” is recorded in costs as impairment loss of leased assets.

For the year ended March 31, 2023, the amounts reported in “Global Business” is recorded in other income (expense) as impairment loss of goodwill and investments and other assets - other. The amounts reported in “Aviation” and “Logistics” are recorded in costs as impairment loss of leased assets.

7. Information about amortization and unamortized balance of goodwill by reportable segment

	Millions of yen						
	2024						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Amortization of goodwill...		**¥ 1,105**		**¥ 3,356**	**¥ 2,070**	**¥ 511**	**¥ 71**
Unamortized balance of goodwill..........................		**14,070**		**30,823**	**37,429**	**12,712**	**702**

	Millions of yen	
	2024	
	Adjustments (1)	Consolidated
Amortization of goodwill...	**¥ 2,117**	**¥ 9,232**
Unamortized balance of goodwill..........................	**6,352**	**102,091**

	Millions of yen						
	2023						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Amortization of goodwill...		¥ 841		¥ 3,138	¥ 1,935	¥ 500	¥ 67
Unamortized balance of goodwill..........................		13,330		32,007	36,975		714

	Millions of yen	
	2023	
	Adjustments (1)	Consolidated
Amortization of goodwill...	¥ 2,117	¥ 8,601
Unamortized balance of goodwill..........................	8,469	91,497

	Thousands of U.S. dollars						
	2024						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Amortization of goodwill...		**$ 7,320**		**$ 22,228**	**$ 13,711**	**$ 3,389**	**$ 470**
Unamortized balance of goodwill..........................		**93,181**		**204,127**	**247,880**	**84,189**	**4,652**

	Thousands of U.S. dollars	
	2024	
	Adjustments (1)	Consolidated
Amortization of goodwill...	**$ 14,022**	**$ 61,142**
Unamortized balance of goodwill..........................	**42,068**	**676,099**

Note:

(1) "Adjustments" in amortization of goodwill and unamortized balance of goodwill segment assets represent the amount of amortization and unamortized balance of goodwill when Diamond Lease Company Limited and UFJ Central Leasing Company Limited merged and became Mitsubishi UFJ Lease in 2007.

8. Information about gain from bargain purchase

No gain from bargain purchase was recorded for the years ended March 31, 2024 and 2023.

30. Net Income per Share

Reconciliation of the differences between basic and diluted net earnings per share ("EPS") for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2024	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥123,842**	**1,435,070**	**¥86.30**	**$0.57**
Effect of dilutive securities:				
Warrants		**3,966**		
Diluted EPS:				
Net income for computation	**123,842**	**1,439,036**	**¥86.06**	**$0.56**

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2023	Net income attributable to owners of the parent	Weighted-average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥116,241	1,436,042	¥80.95
Effect of dilutive securities:			
Warrants		4,209	
Diluted EPS:			
Net income for computation	¥116,241	1,440,251	¥80.71

The number of the Company's shares held by the trust for the performance-based share remuneration plan is deducted in the number of treasury shares from the number of weighted-average shares used for calculating the basic and diluted EPS.

31. Subsequent Events

a. On May 22, 2024, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥19.00 ($0.12) per share	**¥27,305**	**$180,828**

b. Investment in European Energy A/S

At the meeting of the Board of Directors held on January 19, 2024, the Company resolved to invest approximately EUR 700 million in European Energy A/S ("European Energy") (the "Investment"), a Danish company developing and operating renewable and next generation energy business mainly in Europe, and signed an Investment Agreement (the "Agreement") to acquire 20% of outstanding shares and voting rights in European Energy. The investment was completed on April 16, 2024, in accordance with the Agreement. As a result, European Energy became an affiliate of the Company, which is accounted for by the equity method.

1. Objective of the investment

European Energy, active in 28 countries, achieved more than accumulated 3GW of renewable energy development and has more than 60GW of development and construction pipelines mainly in Europe. Further, European Energy has a large growth potential by being a global leading and pioneering player in Power-to-X

(*), which produces green energy, such as e-methanol and green hydrogen generated from renewable energy sources.

“Promote a Decarbonized Society” is one of the Company’s important materiality. The Company has been expanding its renewable energy business and increasing added value in the segment to realize this materiality. In the fiscal year ended March 31, 2024, the Company launched its MTMP for FY2023 - FY2025, and is proceeding with the evolution and layering of business models to achieve business portfolio transformation. As one of its long-term growth strategies, the Company has been pursuing to enhance development functions of renewable energy business in Europe, whereby this Investment will accelerate the initiative.

The Company, through the strategic partnership with European Energy and by leveraging the capability and knowledge of both companies, will accelerate the development of renewable and green energy on a global scale. By enhancing its initiatives in the Environment & Energy Business, the Company will contribute to realizing a decarbonized society.

(*) Produce green fuels with low environmental impact using green electricity.

2. Overview of European Energy

Name:	European Energy A/S	
Business:	Renewable energy and next generation energy business	
Financial condition	Consolidated net assets	EUR 432 million
(as of December 31, 2023)	Consolidated total assets	EUR 2,027 million

3. Date of the investment
April 16, 2024

4. Number of shares to be acquired, acquisition price, and number of shares held before and after the investment

Number of shares held before the investment	0 share (number of voting rights：0) (voting rights holding ratio：0%)
Number of shares to be acquired	Outstanding share：Approximately 75 million shares
Acquisition price	Approximately EUR 700 million
Number of shares held after the investment	Approximately 75 million shares (number of voting rights：Approximately 75 million) (voting rights holding ratio：20.0%)

5. Procurement of the funds for the investment and the method of payment

The Company will acquire the shares of European Energy through its wholly owned subsidiary in Denmark, MHC Energy Europe ApS, mainly by undertaking new shares privately issued and allocated by European Energy. Own funds, funds from borrowings and bonds and others are used for the investment.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mitsubishi HC Capital Inc.:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of Mitsubishi HC Capital Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheets as of March 31, 2024 and 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audits 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Member of
Deloitte Touche Tohmatsu Limited

We determined those matters that required significant auditor attention in performing the audit from the matters communicated with those charged with governance by taking into account the risks of material misstatement through understanding the Group, its management policies and the environments surrounding the Group, and significant auditor judgments relating to areas in the consolidated financial statements that involved significant management judgment, including accounting estimates. We determined which of the matters determined in accordance with the process above, in the auditor's professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and therefore are the key audit matters, by considering various factors, such as the relative magnitude of the matters, the nature and effect of the matters and the expressed interests of intended users or recipients. The details of key audit matters description and how the key audit matters were addressed in the audit are as follows:

<table>
<tr><th colspan="2">Impairment judgment on the aircraft held as leased assets</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As described in Note 2.s. Summary of Significant Accounting Policies—Significant Accounting Estimates, Impairment of Leased Assets to the consolidated financial statements, the aircraft held by JSA International Holdings, L. P. ("JSA") located in the United States (the "U.S.") of ¥1,289,006 million were recorded as leased assets in the consolidated balance sheet as of March 31, 2024.

The Group performs an impairment evaluation for the aircraft in accordance with accounting principles generally accepted in the U.S. by the following:

(1) For each aircraft, the carrying amount is compared to the sum of the undiscounted future cash flows.

(2) Where the carrying amount of aircraft exceeded the sum of the undiscounted future cash flows, the carrying amounts are compared to the fair value of aircraft. The amount by which the carrying amount exceeded the fair value is recorded as an impairment loss.

As a result, the Group recorded ¥1,998 million of the impairment loss which was included in costs in the consolidated statement of income for the year ended March 31, 2024.</td><td>Our audit procedures related to the impairment evaluation for the aircraft held by JSA as leased assets included the following, among others:

➢ Evaluated the design and operating effectiveness of controls over the estimation of undiscounted future cash flows used to evaluate whether impairment indicators exist on the aircraft held by JSA as leased assets.

➢ Inquired of the official in charge of the Aviation Division and CEO of JSA about the business environment and asset risk surrounding JSA.

➢ Inquired of the Aviation Division manager about the customers who had a delayed payment of lease rents or requested to defer lease rental payments in order to understand the extent of uncertainty of undiscounted future cash flows.

In addition, with the assistance of the component auditor of JSA, we performed the following audit procedures:

➢ Inquired of management of JSA about any changes in the methodologies and assumptions used in the undiscounted future cash flows analysis based on the current business environment.

➢ Inspected the external appraisal reports obtained by management on the future lease rents and residual values at maturity of aircraft at lease maturity and assessed the competencies and objectivity of the third-party appraisers.

➢ Compared the current lease rate of lease agreements renewed or amended during the current year with the rates of the appraisal reports used in the prior-year's impairment evaluation to examine the reasonableness of the third-party appraisals.</td></tr>
</table>

The undiscounted future cash flows used in the impairment evaluation by management are estimated based on assumptions, such as current lease rents, future lease rents, residual values at maturity, disposal costs, lease terms, off-lease periods and renewal lease terms. The judgments made in the impairment evaluation need to consider the uncertainty of accounting estimates regarding certain assumptions, such as future lease rents, off-lease periods and residual values at maturity. There is a potential risk that the impairment losses on the leased assets are not appropriately recognized if these estimates are not appropriate. Therefore, we determined the impairment evaluation for the aircraft held by JSA as leased assets as a key audit matter.	➢ Evaluated management's estimation of the off-lease period by inspecting the historical data for the period it took until lease renewal and tested the assumption of the off-lease period for any leases coming due in the near term and whether to change the off-lease period. ➢ Evaluated the assumptions, such as future lease rents and off lease periods, used in the impairment analysis of the aircraft leased to lessees in bankruptcies by challenging the assumptions and assessing if they are consistent with the current business environment surrounding the lessee. ➢ Recalculated the undiscounted future cash flows used in the impairment analysis and, where applicable, the impairment losses recorded for the current period. ➢ Performed a sensitivity analysis on the undiscounted future cash flows.

Appropriateness of the receivables classification in calculating an allowance for doubtful receivables and calculation of an allowance for doubtful receivables of consolidated foreign subsidiaries	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group recorded ¥95,357 million of an allowance for doubtful receivables in the consolidated balance sheet as of March 31, 2024. The allowance for doubtful receivables was mainly related to ¥172,368 million of receivables-installment sales, ¥3,153,989 million of lease receivables and investments in leases, ¥1,850,117 million of receivables-loans, and ¥122,035 million of long-term receivables. The balance of Mitsubishi HC Capital Inc. (the "Company") and its significant consolidated foreign subsidiaries that adopt IFRS Accounting Standards or accounting principles generally accepted in the United States (the "U.S. GAAP") accounted for a significant portion of these receivables subject to the allowance for doubtful receivables. We determined the following 1 and 2 as key audit matters because subjective judgments and significant assumptions made by management were particularly involved in the calculation of the allowance for doubtful receivables.	1. Appropriateness of the receivables classification in calculating the allowance for doubtful receivables of the Company Our audit procedures related to the appropriateness of the Company's classification of the general claims, doubtful claims, and bankrupt claims in calculating the estimated uncollectible amount included the following, among others: (Evaluation of compliance with accounting standards and evaluation of internal controls) ➢ Evaluated whether the internal management policies used by management to determine the classification of the general claims, doubtful claims, and bankrupt claims were in accordance with accounting principles generally accepted in Japan. ➢ Evaluated the design and operating effectiveness of internal controls over the approval for changes in credit rating of the counterparties conducted by the credit management department.

1. Appropriateness of the receivables classification in calculating the allowance for doubtful receivables of the Company As described in Note 2.s. Summary of Significant Accounting Policies—Significant Accounting Estimates, Allowance for Doubtful Receivables to the consolidated financial statements, in accordance with the internal management policies, the Company classifies these receivables into receivables from the counterparties not in bankruptcy but in financial difficulties ("doubtful claims"), receivables from the counterparties in bankruptcy ("bankrupt claims"), and the other receivables ("general claims") based on the credit information, such as the financial condition and payment history of the counterparties. For the general claims, the allowance for doubtful receivables is provided based on the historical rate of credit losses. For the doubtful claims and bankrupt claims, the allowance for doubtful receivables is provided based on the estimated uncollectible amounts considering the collectability of each receivable. Due to the qualitative significance and a variety of the Company's receivable balance, management's judgment involved in the determination of receivables classification, and large differences in the allowance ratios among the general claims, doubtful claims and bankrupt claims, the determination of the receivables classification in calculating the estimated uncollectible amount has a significant impact on the consolidated financial statements. Considering the items above, we determined the appropriateness of the Company's classification of the general claims, doubtful claims, and bankrupt claims in calculating the estimated uncollectible amount as a key audit matter. 2. Calculation of the allowance for doubtful receivables of significant consolidated foreign subsidiaries that adopt IFRS Accounting Standards or U.S. GAAP	(Examination of the appropriateness of receivables classification) ➢ Tested the appropriateness of receivables classification performed by management for counterparties which were selected based on the credit amount and the financial condition by performing the following procedures: ✓ Inquiry of the personnel in the credit management department regarding the business condition of the counterparties ✓ Inspection of credit information such as payment history ✓ Inspection of the management's assessment for the realizability of the counterparty's business plan, inquiry of the personnel in the credit management department and reconciliation of key assumptions used in the business plan with available external information when management used the counterparty's business plan in the determination of receivables classification 2. Calculation of the allowance for doubtful receivables of significant consolidated foreign subsidiaries that adopt IFRS Accounting Standards or U.S. GAAP Our audit procedures related to the appropriateness of loss rates used to calculate the allowance for doubtful receivables of significant consolidated foreign subsidiaries that adopt IFRS Accounting Standards or U.S. GAAP included the following, among others: ➢ Inspected the accounting policy memo prepared by the accounting departments to examine whether the accounting policies for the applications of ECL and CECL models complied with IFRS Accounting Standards and U.S. GAAP, respectively. ➢ Inquired of directors in charge of Global Business division and Risk Management division and CEOs of significant consolidated foreign subsidiaries about the business and credit risk environment surrounding those subsidiaries.

As described in Note 2.s. Summary of Significant Accounting Policies—Significant Accounting Estimates, Allowance for Doubtful Receivables to the consolidated financial statements, significant consolidated foreign subsidiaries that adopt IFRS Accounting Standards apply IFRS No. 9 Financial Instruments and record the allowance for doubtful receivables based on the expected credit loss ("ECL") model. Also, significant consolidated foreign subsidiaries that adopt U.S. GAAP apply Financial Instruments—Credit Losses, ASU 2016-13, Financial Instruments—Credit Losses, effective from the beginning of the fiscal year ended March 31, 2024, and record the allowance for doubtful receivables based on the current expected credit losses ("CECL") model. Significant consolidated foreign subsidiaries that adopt IFRS Accounting Standards use loss rates in estimating their expected credit losses for 12 months or lifetime. Significant consolidated foreign subsidiaries that adopt U.S. GAAP use loss rates in estimating their expected credit losses for remaining contractual periods. These loss rates are determined based on historical credit losses, considering current and future economic conditions, and involve subjective judgments made by management. When the loss rates used are not appropriate, the allowance for doubtful receivables is not properly calculated and it has a significant impact on the consolidated financial statements. Considering the items above, we determined the calculation of the allowance for doubtful receivables of significant consolidated foreign subsidiaries that adopt IFRS Accounting Standards or U.S. GAAP as a key audit matter.	In addition, with the assistance of component auditor of significant consolidated foreign subsidiaries, we performed the following audit procedures: (Evaluation of internal controls) ➢ Evaluated the design and operating effectiveness of internal controls over the determination of loss rates used in calculating the allowance for doubtful receivables. (Examination of the appropriateness of loss rates) We performed the following procedures with the assistance of our credit specialists: ➢ Tested whether historical loss data was appropriate as a basis of estimation under the ECL model or the CECL model through the understanding of the portfolios. ➢ Evaluated models used for the calculation of the loss rates for 12 months or lifetime in the ECL model or the remaining contractual periods in the CECL model based on the understanding of the calculation models. ➢ Tested the accuracy and completeness of the data used in the calculation of the loss rates. ➢ Recalculated of the loss rates. ➢ Compared actual loss rates with those used in the ECL or CECL models and analyzed differences identified. ➢ Evaluated the adequacy of an adjustment to the loss rates considering current and future economic conditions.

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Financial Information, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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.

- 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 Audit and Supervisory Committee 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 Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it 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.

From the matters communicated with the Audit and Supervisory Committee, 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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Mitsubishi HC Capital Inc. and its subsidiaries were ¥1,685 million and ¥276 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 9, 2024

MITSUBISHI HC CAPITAL Inc.