MITSUBISHI HC CAPITAL

FINANCIAL INFORMATION 2025

For the fiscal year ended March 31, 2025

Management's Discussion and Analysis 02
Business and Related Risks 06
Consolidated Balance Sheets 16
Consolidated Statements of Income 18
Consolidated Statements of Comprehensive Income 19
Consolidated Statements of Changes in Equity 20
Consolidated Statements of Cash Flows 22
Notes to Consolidated Financial Statements 24
Independent Auditor's Report 96

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Results

The Mitsubishi HC Capital Group's business results for the fiscal year ended March 31, 2025 were as follows.

Revenues increased by ¥140.2 billion, or 7.2% year on year, to ¥2,090.8 billion, gross profit by ¥82.5 billion, or 21.7%, to ¥462.6 billion, and operating income by ¥40.9 billion, or 28.0%, to ¥187.1 billion.

Although credit costs rose in the Global Business and Environment & Energy segments during the fiscal year, earnings benefited from the profit increase resulting from fiscal period adjustment associated with the change in the fiscal year-end of our consolidated subsidiary JSA International Holdings, L.P. and its subsidiaries. Additional contributions came from strong performance by the Aviation and Logistics segments and gain on sales of investment securities related to the sale of an overseas infrastructure project in the Environment & Energy segment.

As a result, net income attributable to owners of the parent rose by ¥11.3 billion, or 9.1% year on year, to ¥135.1 billion in the fiscal year ended March 31, 2025, meeting the consolidated earnings forecast of ¥135.0 billion and hitting a record high for the third consecutive year.

In addition, the new transaction volume increased by ¥259.7 billion, or 8.5% year on year, to ¥3,311.7 billion.

The annual dividend was ¥40 per share (payout ratio of 42.5%) as per the full-year dividend forecast. This is a ¥3 increase over the previous fiscal year's dividend of ¥37, marking the 26th consecutive year of increases.

Operating results by reportable segment are presented below.

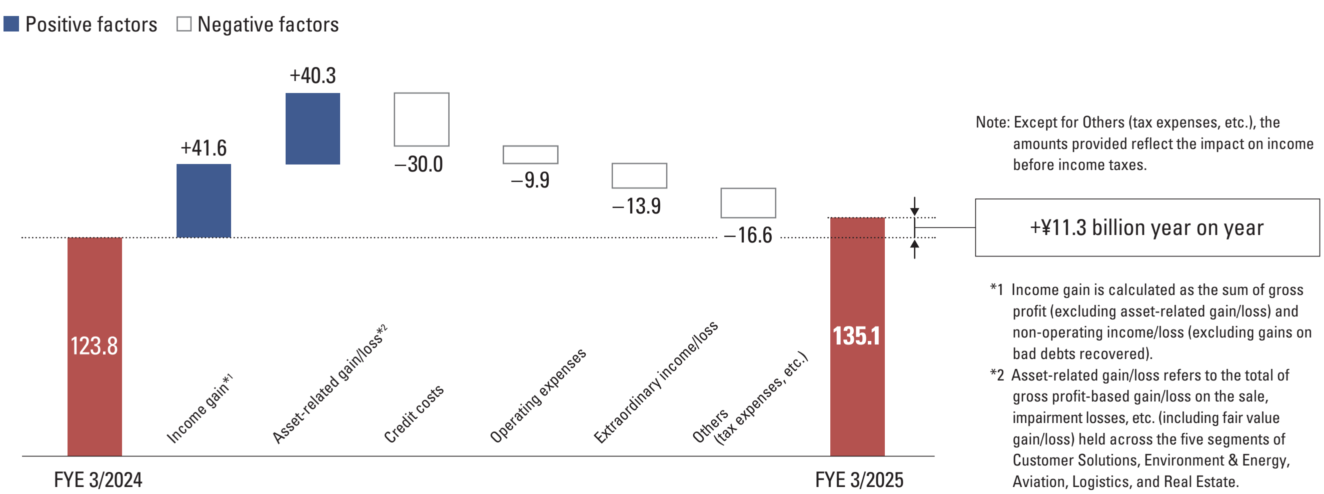
Customer Solutions

Despite gain on sales of shares of subsidiaries and affiliates, segment profit declined by ¥1.2 billion, or 3.3% year on year, to ¥36.8 billion, mainly due to the negative impact of excluding former consolidated subsidiaries—DFL Lease Co., Ltd., Shutoken Leasing Co., Ltd., and Sekisui Leasing Co., Ltd.—from the scope of consolidation, along with an increase in credit costs.

Global Business

Segment profit fell by ¥13.9 billion, or 83.9% year on year, to ¥2.6 billion, primarily due to higher credit costs amid a downturn in the transportation sector in the Americas and the absence of the prior-year positive effects of adjusting the fiscal period associated with

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



Note: Except for Others (tax expenses, etc.), the amounts provided reflect the impact on income before income taxes.

*1 Income gain is calculated as the sum of gross profit (excluding asset-related gain/loss) and non-operating income/loss (excluding gains on bad debts recovered).

*2 Asset-related gain/loss refers to the total of gross profit-based gain/loss on the sale, impairment losses, etc. (including fair value gain/loss) held across the five segments of Customer Solutions, Environment & Energy, Aviation, Logistics, and Real Estate.

the reorganization of subsidiaries in the region*.

* 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, the previous fiscal year reflected both the results of the surviving company from April 1, 2023 to March 31, 2024, and the results of the two merged companies from January 1 to March 31, 2023.

Environment & Energy

Despite recording gain on sales of investment securities linked to overseas infrastructure project sales, segment profit declined by ¥2.5 billion, or 35.0% year on year, to ¥4.7 billion, mainly due to significant credit costs related to a domestic renewable energy project and additional impairment losses on a domestic solar power project that had already been impaired in the previous fiscal year.

Aviation

Segment profit increased by ¥19.8 billion, or 72.7% year on year, to ¥47.2 billion, mainly thanks to increases in leasing revenue and gain on sales as well as the positive effects of fiscal period adjustment associated with the change in the fiscal year-end of JSA International Holdings and its subsidiaries.

Logistics

While gains on vessel sales declined, segment profit rose by ¥5.3 billion, or 30.2% year on year, to ¥23.2 billion, supported by increases in leasing revenues and gains on sales of assets in the marine container and railcar leasing businesses.

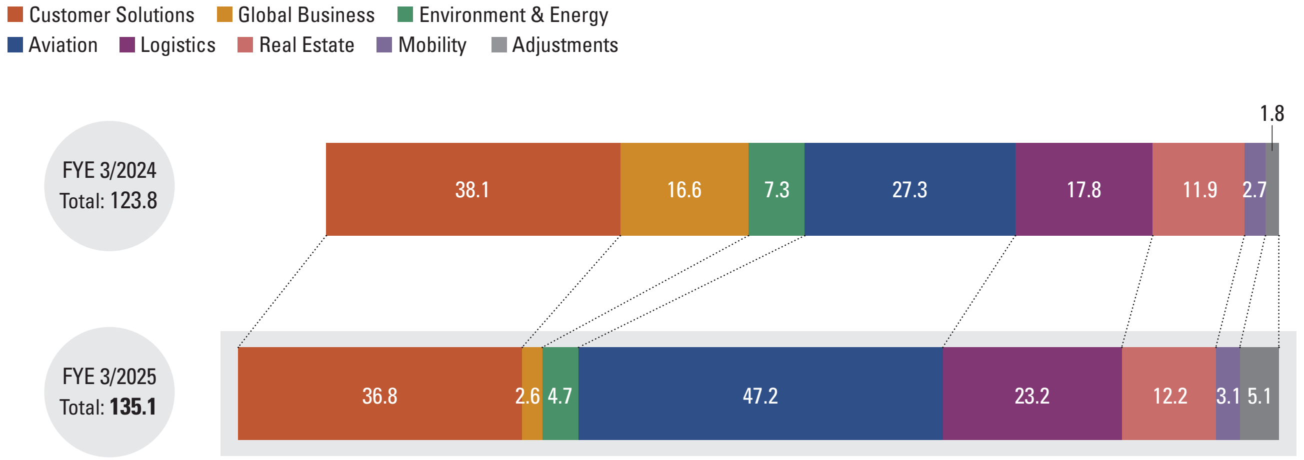
Real Estate

Segment profit increased by ¥0.2 billion, or 2.4% year on year, to ¥12.2 billion. This was mainly because, despite the absence of a large gain on sales of multiple projects and a gain on step acquisitions recorded in the previous fiscal year (related to making CenterPoint Development Inc. a wholly owned subsidiary) and the recording of a loss on sales of shares of subsidiaries and affiliates (related to the transfer of shares of our consolidated subsidiary Miyuki Building Co., Ltd.), a large gain on sales was recorded by the company prior to the share transfer, and the loss on valuation of U.S. projects decreased.

Mobility

Segment profit increased by ¥0.3 billion, or 10.9% year on year, to ¥3.1 billion, driven by strong performance at equity-method affiliate Mitsubishi Auto Leasing

Year-on-Year Change in Segment Profit (Net Income Attributable to Owners of the Parent by Segment) (¥ Billion)



MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporation and a resulting increase in equity-method investment income.

Financial Position

As of March 31, 2025, total assets increased by ¥612.4 billion, or 5.5% from the previous fiscal year-end, to ¥11,762.3 billion, while total equity rose by ¥99.1 billion, or 5.8%, to ¥1,804.5 billion, and interest-bearing debt (excluding lease obligations) increased by ¥401.0 billion, or 4.8%, to ¥8,840.7 billion. The equity ratio increased by 0.1 points, to 15.2%.

Total liabilities were up ¥513.2 billion, to ¥9,957.8 billion. Out of interest-bearing debt, long-term liabilities such as long-term loans increased by ¥472.7 billion, to ¥5,856.6 billion, while short-term liabilities such as short-term loans and commercial paper decreased by ¥71.6 billion, to ¥2,984.1 billion.

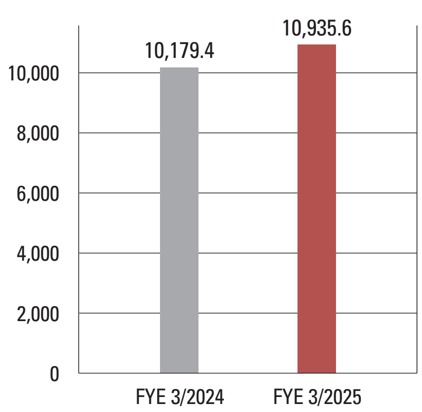
Operating activities used net cash of ¥296.8 billion, compared to net outflows of ¥49.1 billion in the previous fiscal year. Inflows included income before income taxes of ¥195.6 billion, adjustments of ¥248.1 billion for loss on disposals and sales of leased assets, and ¥389.2 billion for depreciation and amortization. These inflows were primarily offset by outflows of ¥1,020.0 billion for purchases of leased assets and other operating assets due to the accumulation of new transactions, as well as a ¥38.6 billion increase in operating securities and investments in private equity securities.

Investing activities used net cash of ¥96.9 billion, compared to net inflows of ¥143.3 billion in the previous fiscal year. Outflows included ¥126.2 billion for purchases of investment securities, while inflows included ¥32.0 billion in proceeds from sales and redemption of investment securities and ¥10.4 billion from sales of consolidated subsidiaries due to changes in the scope of consolidation.

Financing activities provided net cash of ¥353.6 billion, compared to net outflows of ¥222.9 billion in the previous fiscal year. This included net inflows of ¥390.3 billion from direct funding, net inflows of ¥29.8 billion from bank loans and other forms of indirect funding, and ¥56.0 billion in cash dividends paid.

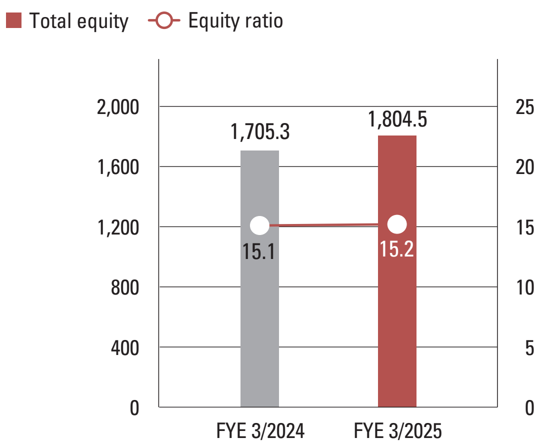
As a result, cash and cash equivalents as of March 31, 2025 totaled ¥290.8 billion, a decrease of ¥44.5 billion, or 13.3% from the previous fiscal year-end. The ¥44.5 billion decrease came from ¥296.8 billion used in operating activities and ¥96.9 billion used in

Segment Assets* (¥ Billion)



* The values for segment assets do not include adjustments. Refer to pages 85–90 for details.

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



investing activities despite ¥353.6 billion provided by financing activities.

Progress on Medium-term Management Plan (2025 MTMP)

We established Our 10-year Vision, "Together we innovate, challenge and explore the frontiers of the future." We aim to achieve this vision through our three Medium-term Management Plans ("hop," "step," and "jump"). The 2025 MTMP covering the fiscal years ending March 31, 2024 to March 31, 2026 is positioned as the "hop" plan of our three Medium-term Management Plans. We are addressing the plan with "sowing seeds" and "gaining a solid foothold" as keywords leading to a leap to the "step" and "jump" plans.

To achieve 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.

We believe that advancing the evolution and layering of business models will require a fundamental shift in mindset across the entire workforce. To support this shift, we are building frameworks to promote transformation and implementing initiatives from three angles: laying the foundation of transformation, creating transformation, promoting transformation. These efforts are carried out from fresh perspectives, rather than simply extending existing approaches.

For details on the 2025 MTMP and the progress made, please refer to "Medium-term Management Plan for FY2023–FY2025" and "Progress of 2025 MTMP" 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*4	

*1. Net income attributable to owners of the parent
*2. Compound annual growth rate (CAGR)
*3. Return on assets (ROA) forecast of 1.4% for FYE 3/2026. Return on equity (ROE) forecast of 8.8% for FYE 3/2026.
*4. Credit ratings for the Group on a stand-alone basis without external support.

Note: Net income attributable to owners of the parent is used for the calculation of ROA and ROE.

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

BUSINESS AND RELATED RISKS

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.

Of the business and related risks of the Group, the main items with potential for important impact on investors' decisions are managed under a Companywide risk management system. The Group strives to prevent these risks from emerging and to minimize their impact if they occur. Mitsubishi HC Capital engages in risk capital management based on the framework of integrated risk management in order to work toward sustainable growth by balancing maintenance of management soundness with improving profitability.

The forward-looking statements herein are based on judgments made by the Group as of March 31, 2025.

01 Major Risks Recognized by the Mitsubishi HC Capital Group

(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.

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 Risk Management Division conducts warning sign monitoring for each major asset category through fixed-point observation of industry trends and signs that could impact asset value fluctuations, while also maintaining ongoing risk communication with the business divisions. 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 Risk Management Division conducts warning sign monitoring through fixed-point observation of industry trends and signs that could impact asset value fluctuations, while also maintaining ongoing risk communication with the business divisions. 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 is 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 asset liability management (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 conducting interest rate sensitivity analysis (analyzing the impact of interest rate fluctuations on revenue), the ALM Committee carries out comprehensive investigations of (4) Market Risk and (5) Liquidity Risk in the event of stress in the financial markets or other relevant areas, including the potential impact on profit and loss. It then determines a fund procurement strategy and risk response policies to implement a Companywide strategy aligned with 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.

Additionally, to support the recent globalization of its operations and enhance its foreign currency funding capacity, the Group has established a regional financial base in North America, where it holds a large asset balance, and has put in place a Group financing system that includes the consolidation of financing. The 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) Country Risk

Because the Mitsubishi HC Capital Group is engaged in business globally, it is subject to risk in which losses may arise depending on political and economic situations in the countries and territories where customers and investees are located. In addition to changes in economic conditions such as sharp declines in currency or stock prices or sovereign defaults in a given country, various factors such as conflict, civil unrest, or political instability could result in additional provisions for credit losses or the recognition of impairment losses related to credit transactions or investments in that country or entities located therein. These developments could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group sets upper limits on transaction volumes based on each country's economic strength and creditworthiness. Additionally, the Group monitors whether the balances of credit transactions and investments involving country risk remain within the prescribed limits. In this way, the Group works to diversify its dependence on specific countries and regions to reduce the impact of losses in the event that country risk materializes.

(7) 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.

b. System Risk

The Group utilizes email 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 email 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 email 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 email 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 Antimonopoly Act, anti-bribery laws, the Personal Information Protection Act, the Money Lending Business Act, the Installment Sales Act, the Act on Prevention of Transfer of Criminal Proceeds, and environmental laws and regulations. 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, social norms, 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 conducts its business activities in accordance with laws, regulations, and internal rules. To ensure legal compliance, it has established the necessary internal regulations and set up the Legal Office that includes qualified legal professionals. This department provides various forms of legal support, conducts education and training for officers and employees, and works to strengthen the legal risk management system on a consolidated basis.

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.

02 Other Major Risks

The Mitsubishi HC Capital Group also 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 multifaceted verification of risk resilience.

(1) Compliance Risk

The Mitsubishi HC Capital Group ensures that all executives and employees act with high ethical standards, complying not only with laws and regulations but also with social norms. However, in the unlikely event that any actions in violation of these occur, it could impact the Group's credibility, business results, and financial position.

Main Efforts to Address Risk

The Company has established the Legal & Compliance Department, which oversees the Group's compliance. Additionally, the Group has formulated and implemented a compliance program to ensure thorough adherence to laws and regulations.

Specifically, to promote awareness and shared understanding of fundamental compliance-related values and ethics, the Group has established the Mitsubishi HC Capital Group Code of Ethics and Conduct as a set of guidelines for its executives and employees. Furthermore, the Group has prepared various policies and internal rules related to compliance to supplement the Code of Ethics and Conduct and conducts ongoing compliance education.

The Group also conducts regular compliance awareness surveys of executives and employees to verify the penetration of the Code of Conduct and the situation within the workplace environment.

In addition, the Group is working to strengthen its compliance system by preparing and operating an internal whistleblowing system that allows executives and employees to report and consult on misconduct (any violation of legislation, internal rules, or the Code of Ethics, including corruption, or any action that could potentially be a violation).

(2) Risk Related to Conduct

The Mitsubishi HC Capital 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.

(3) 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.

Main Efforts to Address Risk

The Group actively promotes recruitment by conducting not only hiring of new graduates but also mid-career hiring. To strengthen its recruitment structure, the Group has introduced various hiring practices, including referral recruitment through employee introductions and rehiring of former employees, to promote the recruitment of diverse personnel. Additionally, to encourage each employee to take initiative and continuously create value, the Group promotes employee development under themes such as "career," "organizational level," "digital transformation (DX)," and "self-development." It supports employee growth through various opportunities, including training programs, assistance with obtaining qualifications, and the introduction of the Career Challenge Program (an internal and external open application system for various positions) that contributes to employees' career development, thereby fostering employee development.

(4) Risk Related to Labor and Employment Management

The Mitsubishi HC Capital 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.

Main Efforts to Address Risk

The Group promotes operational improvements through the use of DX and introduces systems that enable diverse workstyles, such as flextime without core hours, remote work, and satellite offices. In this way, it works not only to reduce long working hours but also to create a work environment that supports 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 fullest, the Group is addressing workplace enhancement as a major focus of initiatives.

(5) 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.

(6) 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 the expanded business not develop as envisioned within the expanded scope of operations, or if risks emerge within that process that exceed the scope of reasonable assumptions, it could impact the Group's business results and financial position.

Main Efforts to Address Risk

When entering new business areas, the Group identifies potential risks based on a preliminary risk assessment and considers appropriate countermeasures before proceeding. In evaluating risks, the Group conducts multifaceted analysis of information and data while also working to enhance evaluation methods by leveraging experience and knowledge gained through existing businesses. Additionally, the Group continuously monitors the progress of its expanded business domains and the latest risk conditions and has a system in place in which relevant departments coordinate as necessary to implement prompt countermeasures.

(7) 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. If competition intensifies further, it could impact the Group's business results and financial position due to a decline in market share or reduced profitability.

Main Efforts to Address Risk

The Group is advancing various initiatives to maintain and strengthen its competitiveness, including the provision of higher value-added services to customers, enhanced value creation as an asset holder, low-cost funding, and the accelerated promotion of its digital strategy. Through these initiatives, the Group aims to mitigate risks associated with intensifying competition and achieve sustainable growth.

(8) Climate Change Risk

Regulatory changes, technological innovations, or shifts in business models associated with the transition to a decarbonized society, as well as extreme weather conditions associated with global warming, could lead to customer bankruptcies due to deteriorating performance or a decline in the value of assets held by the Mitsubishi HC Capital Group, which could impact the Group's business results and financial condition. 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.

(9) 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 Mitsubishi HC Capital 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." As part of the internal project to address human rights violation risk launched in October 2022, the Group began implementing human rights due diligence in November 2023 and established an external human rights reporting hotline in January 2025 to receive inquiries related to human rights. The Group will continue promoting initiatives to eliminate human rights violations.

Consolidated Balance Sheets

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	**2025**
Assets			
Current assets:			
Cash and cash equivalents (Notes 11 and 26)	**¥290,805**	¥335,307	**$1,951,717**
Time deposits other than cash equivalents (Notes 11 and 26)	**20,657**	27,466	**138,638**
Bank overdrafts (Note 26)	**1,936**	3,704	**12,996**
Marketable securities (Notes 4 and 26)	**2,732**	2,565	**18,335**
Receivables:			
Lease (Note 18)	**84,970**	80,030	**570,272**
Installment sales (Notes 11 and 26)	**165,261**	172,368	**1,109,136**
Loans (Notes 11, 12, and 26)	**2,148,535**	2,061,346	**14,419,699**
Lease receivables and investments in leases (Notes 7, 11, 23, and 26)	**3,135,877**	3,153,989	**21,046,159**
Inventories (Notes 5, 11, and 12)	**49,278**	38,240	**330,725**
Prepaid expenses and other (Notes 11 and 18)	**148,032**	194,181	**993,507**
Allowance for doubtful receivables (Notes 2.t. and 26)	**(29,435)**	(28,373)	**(197,554)**
Total current assets	**6,018,651**	6,040,826	**40,393,634**
Property and equipment:			
Leased assets — at cost	**5,876,657**	5,165,373	**39,440,654**
Accumulated depreciation	**(1,451,055)**	(1,274,316)	**(9,738,624)**
Net leased assets	**4,425,602**	3,891,057	**29,702,029**
Advances for purchases of leased assets	**85,050**	119,139	**570,808**
Total leased assets (Notes 6, 8, 11, and 12)	**4,510,652**	4,010,196	**30,272,838**
Other operating assets — at cost	**320,253**	269,208	**2,149,354**
Accumulated depreciation	**(76,568)**	(61,251)	**(513,879)**
Net other operating assets (Note 11)	**243,685**	207,957	**1,635,474**
Own-used assets — at cost	**35,021**	34,699	**235,046**
Accumulated depreciation	**(17,831)**	(16,138)	**(119,673)**
Net own-used assets	**17,190**	18,561	**115,373**
Total property and equipment	**4,771,529**	4,236,715	**32,023,686**
Investments and other assets:			
Investment securities (Notes 4, 11, and 26):			
Unconsolidated subsidiaries and associated companies	**303,050**	216,492	**2,033,897**
Other securities	**247,147**	211,037	**1,658,707**
Goodwill (Notes 2.t. and 9)	**98,706**	102,091	**662,460**
Long-term receivables (Note 26)	**87,005**	122,035	**583,927**
Asset for retirement benefits (Note 14)	**17,051**	12,379	**114,436**
Deferred tax assets (Note 24)	**25,423**	26,148	**170,628**
Other (Note 11)	**230,832**	245,290	**1,549,213**
Allowance for doubtful receivables (Notes 2.t. and 26)	**(40,711)**	(66,983)	**(273,234)**
Total investments and other assets	**968,505**	868,490	**6,500,035**
Deferred assets:			
Bond issue costs	**3,646**	3,825	**24,471**
Total deferred assets	**3,646**	3,825	**24,471**
Total assets	**¥11,762,332**	¥11,149,858	**$78,941,828**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	**2025**
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 13 and 23)	**¥475,421**	¥471,060	**$3,190,745**
Commercial paper (Note 13)	**965,408**	784,178	**6,479,252**
Current maturities of bonds (Notes 11, 13, and 26)	**469,064**	563,684	**3,148,081**
Current maturities of long-term loans (Notes 11, 12, 13, 23, and 26)	**848,594**	1,012,618	**5,695,267**
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 11, 13, and 26)	**225,686**	224,330	**1,514,675**
Current maturities of lease obligations (Note 13)	**13,729**	17,852	**92,141**
Notes and accounts payable — trade	**175,455**	171,616	**1,177,551**
Income taxes payable	**7,155**	13,083	**48,023**
Deferred profit on installment sales (Note 26)	**7,018**	7,016	**47,105**
Other (Notes 13 and 18)	**371,436**	280,530	**2,492,863**
Total current liabilities	**3,558,970**	3,545,972	**23,885,708**
Long-term liabilities:			
Bonds, less current maturities (Notes 11, 12, 13, and 26)	**1,909,083**	1,606,588	**12,812,640**
Long-term loans from banks and other financial institutions, less current maturities (Notes 11, 12, 13, 23, and 26)	**3,592,429**	3,435,702	**24,110,264**
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 11, 13, and 26)	**355,109**	341,628	**2,383,287**
Lease obligations, less current maturities (Note 13)	**29,085**	37,427	**195,208**
Liability for retirement benefits (Note 14)	**3,583**	6,635	**24,048**
Asset retirement obligations	**40,171**	39,481	**269,610**
Reserve for insurance policy liabilities	**12,691**	12,818	**85,180**
Deferred tax liabilities (Note 24)	**182,854**	159,118	**1,227,211**
Other (Notes 11 and 13)	**273,828**	259,139	**1,837,775**
Total long-term liabilities	**6,398,838**	5,898,539	**42,945,226**
Commitments and contingent liabilities (Notes 15 and 27)			
Equity (Notes 16 and 31)**:**			
Common stock ─ authorized, 4,800,000,000 shares in 2025 and 2024; issued, 1,466,912,244 shares in 2025 and 2024	**33,196**	33,196	**222,792**
Capital surplus	**545,973**	546,268	**3,664,254**
Stock acquisition rights (Note 17)	**1,368**	1,866	**9,185**
Retained earnings	**854,270**	775,152	**5,733,360**
Treasury stock — at cost, 28,823,521 shares in 2025 and 29,804,554 shares in 2024	**(20,128)**	(20,894)	**(135,088)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**7,536**	14,987	**50,580**
Deferred gain on derivatives under hedge accounting	**25,741**	36,817	**172,760**
Foreign currency translation adjustments	**331,228**	292,477	**2,223,008**
Defined retirement benefit plans	**11,806**	7,262	**79,241**
Total	**1,790,994**	1,687,134	**12,020,095**
Noncontrolling interests	**13,528**	18,211	**90,798**
Total equity	**1,804,523**	1,705,345	**12,110,893**
Total liabilities and equity	**¥11,762,332**	¥11,149,858	**$78,941,828**

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	**2025**
Revenues (Notes 18, 24, and 29)	**¥2,090,808**	¥1,950,583	**$14,032,268**
Costs (Notes 2.t., 10, 24, and 29)	**1,628,170**	1,570,487	**10,927,319**
Gross profit	**462,637**	380,095	**3,104,948**
Selling, general, and administrative expenses (Note 19)	**275,510**	233,919	**1,849,064**
Operating income	**187,126**	146,176	**1,255,884**
Other income (expenses):			
Dividend income	**1,418**	2,411	**9,521**
Interest expense — net of interest income of ¥458 million ($3,076 thousand) in 2025 and ¥3,912 million in 2024 (Note 23)	**(7,962)**	(7,149)	**(53,442)**
Gain on sales of investment securities (Note 4)	**18,103**	7,243	**121,502**
Gain on sales of shares of subsidiaries and affiliates (Note 3.c.)	**5,776**	5,306	**38,768**
Loss on sales of investment securities	**(127)**		**(858)**
Loss on sales of shares of subsidiaries and affiliates (Notes 3.d. and 22)	**(20,699)**	(1,032)	**(138,926)**
Loss on revaluation of investment securities	**(527)**		**(3,539)**
Loss on revaluation of shares of subsidiaries and affiliates	**(1,006)**		**(6,754)**
Gain on step acquisition		4,822	
Gain from bargain purchase (Note 21)	**572**		**3,840**
Other — net (Note 2.v.)	**13,011**	9,899	**87,328**
Other income — net	**8,558**	21,500	**57,441**
Income before income taxes	**195,685**	167,676	**1,313,325**
Income taxes (Note 24)**:**			
Current	**42,089**	27,215	**282,477**
Deferred	**17,955**	15,797	**120,505**
Total income taxes	**60,044**	43,013	**402,982**
Net income	**135,641**	124,663	**910,343**
Net income attributable to noncontrolling interests	**475**	820	**3,191**
Net income attributable to owners of the parent	**¥135,165**	¥123,842	**$907,151**

	Yen		U.S. dollars
	2025	2024	**2025**
Amounts per share of common stock (Note 30)**:**			
Basic net income	**¥94.19**	¥86.30	**$0.63**
Diluted net income	**93.98**	86.06	**0.63**
Cash dividends applicable to the year	**40.00**	37.00	**0.26**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	**2025**
Net income	**¥135,641**	¥124,663	**$910,343**
Other comprehensive income (Note 28)**:**			
Net unrealized (loss) gain on available-for-sale securities	**(7,377)**	140	**(49,515)**
Deferred loss on derivatives under hedge accounting	**(7,516)**	(18,484)	**(50,447)**
Foreign currency translation adjustments	**39,615**	104,217	**265,876**
Defined retirement benefit plans	**4,142**	4,992	**27,799**
Share of other comprehensive (loss) income in associates	**(3,928)**	4,692	**(26,368)**
Total other comprehensive income	**24,934**	95,558	**167,344**
Comprehensive income	**¥160,575**	¥220,222	**$1,077,687**
Total comprehensive income attributable to:			
Owners of the parent	**¥159,934**	¥218,986	**$1,073,382**
Noncontrolling interests	**641**	1,235	**4,304**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2025 and 2024

	Thousands				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
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 (Note 2.r.)					(7,957)
BALANCE, APRIL 1, 2023 (as restated)		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 (2,400,696 shares)					
Disposal of treasury stock (629,105 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 (APRIL 1, 2024, as previously reported)	**1,466,912**	**33,196**	**546,268**	**1,866**	**775,152**
Cumulative effect of accounting change					
BALANCE, APRIL 1, 2024 (as restated)	**1,466,912**	**33,196**	**546,268**	**1,866**	**775,152**
Net income attributable to owners of the parent					**135,165**
Cash dividends					**(56,058)**
Purchase of treasury stock (377 shares)					
Disposal of treasury stock (981,410 shares)			**(112)**		
Change in ownership interest due to merger between consolidated and unconsolidated subsidiaries					**11**
Change in ownership of the parent due to transaction with noncontrolling shareholders			**(182)**		
Net change in the year				**(498)**	
BALANCE, MARCH 31, 2025	**1,466,912**	**¥33,196**	**¥545,973**	**¥1,368**	**¥854,270**

	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, MARCH 31, 2024 (as restated)	**$222,792**	**$3,666,233**	**$12,528**	**$5,202,363**
Net income attributable to owners of the parent				**907,151**
Cash dividends				**(376,232)**
Purchase of treasury stock (377 shares)				
Disposal of treasury stock (981,410 shares)		**(755)**		
Change in ownership interest due to merger between consolidated and unconsolidated subsidiaries				**77**
Change in ownership of the parent due to transaction with noncontrolling shareholders		**(1,224)**		
Net change in the year			**(3,342)**	
BALANCE, MARCH 31, 2025	**$222,792**	**$3,664,254**	**$9,185**	**$5,733,360**

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
	¥(19,158)	¥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**
	(20,894)	**14,987**	**36,817**	**292,477**	**7,262**	**1,687,134**	**18,211**	**1,705,345**
						135,165		**135,165**
						(56,058)		**(56,058)**
	(0)					**(0)**		**(0)**
	766					**654**		**654**
						11		**11**
						(182)		**(182)**
		(7,450)	**(11,076)**	**38,750**	**4,544**	**24,270**	**(4,682)**	**19,587**
	¥(20,128)	**¥7,536**	**¥25,741**	**¥331,228**	**¥11,806**	**¥1,790,994**	**¥13,528**	**¥1,804,523**

	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
	$(140,230)	**$100,586**	**$247,097**	**$1,962,936**	**$48,739**	**$11,323,048**	**$122,225**	**$11,445,274**
						907,151		**907,151**
						(376,232)		**(376,232)**
	(2)					**(2)**		**(2)**
	5,144					**4,389**		**4,389**
						77		**77**
						(1,224)		**(1,224)**
		(50,005)	**(74,337)**	**260,071**	**30,501**	**162,888**	**(31,427)**	**131,460**
	$(135,088)	**$50,580**	**$172,760**	**$2,223,008**	**$79,241**	**$12,020,095**	**$90,798**	**$12,110,893**

Consolidated Statements of Cash Flows

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Operating activities:			
Income before income taxes	¥195,685	¥167,676	$1,313,325
Adjustment for:			
Income taxes — paid	(25,710)	(7,852)	(172,551)
Depreciation and amortization	389,283	349,319	2,612,640
Cost of sales of other operating assets	15,474	11,558	103,856
Reversal of allowance for doubtful receivables	(25,540)	(11,845)	(171,409)
Gain from bargain purchase	(572)		(3,840)
Loss on disposals and sales of leased assets	248,161	213,422	1,665,510
Gain on sales of shares of subsidiaries and affiliates	(5,776)	(4,273)	(38,768)
Loss on sales of shares of subsidiaries and affiliates	20,699		138,926
Gain on sales of investment securities	(18,103)	(6,947)	(121,502)
Loss on sales of investment securities	127		858
Loss on revaluation of investment securities	527		3,539
Loss on revaluation of shares of subsidiaries and affiliates	1,006		6,754
Gain on step acquisition		(4,822)	
Changes in assets and liabilities:			
(Increase) decrease in receivables	(111,072)	31,745	(745,455)
Decrease in lease receivables and investments in leases	17,615	64,179	118,227
Increase in operating securities and investments in private equity securities	(38,605)	(9,530)	(259,098)
Increase in trade payables	3,218	10,924	21,599
Increase in interest payable	5,593	2,211	37,541
Purchases of leased assets	(958,073)	(884,863)	(6,430,026)
Purchases of other operating assets	(62,007)	(21,718)	(416,154)
Other — net	51,184	51,686	343,518
Total adjustments	(492,569)	(216,805)	(3,305,836)
Net cash used in operating activities	(296,884)	(49,128)	(1,992,510)
Investing activities:			
Purchases of own-used assets	(6,982)	(7,532)	(46,861)
Purchases of investment securities	(126,200)	(2,965)	(846,982)
Proceeds from sales and redemption of investment securities	32,063	23,412	215,189
Payments for sales of consolidated subsidiaries	(4,894)	(849)	(32,852)
Proceeds from sales of consolidated subsidiaries	10,449	12,167	70,134
Payments for acquisition of newly consolidated subsidiaries	(1,953)	(8,659)	(13,111)
Payments into time deposits	(1,981)	(60,714)	(13,299)
Proceeds from withdrawal of time deposits	1,591	186,516	10,681
Other — net	930	1,960	6,243
Net cash (used in) provided by investing activities	(96,977)	143,336	(650,858)
Financing activities:			
Net increase (decrease) in short-term loans	52,632	(205,345)	353,235
Net increase in commercial paper	181,074	204,526	1,215,263
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	341,749	304,665	2,293,622
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	(336,576)	(369,364)	(2,258,900)
Proceeds from long-term loans	1,299,003	1,212,669	8,718,141
Repayments of long-term loans	(1,321,761)	(1,097,132)	(8,870,884)
Proceeds from issuance of bonds	790,241	494,368	5,303,632
Redemption of bonds	(586,152)	(704,767)	(3,933,907)
Cash dividends paid	(56,058)	(51,723)	(376,232)
Cash dividends paid to noncontrolling shareholders	(3,513)	(3,227)	(23,577)
Proceeds from share issuance to noncontrolling shareholders		385	
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(756)	(1,834)	(5,074)
Other — net	(6,254)	(6,199)	(41,973)
Net cash provided by (used in) financing activities	353,628	(222,977)	2,373,344
Foreign currency translation adjustments on cash and cash equivalents	(4,470)	3,589	(30,006)
Net decrease in cash and cash equivalents	(44,704)	(125,179)	(300,031)
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	203		1,365
Cash and cash equivalents, beginning of year	335,307	460,486	2,250,383
Cash and cash equivalents, end of year	¥290,805	¥335,307	$1,951,717

See notes to consolidated financial statements.

Additional information

Transfer of Miyuki Building Co., Ltd. ("Miyuki Building") (Note 3.a.)

Payments from sales of consolidated subsidiaries mainly consist of the transfer of Miyuki Building.
On September 20, 2024, the Company transferred entire shares of Miyuki Building according to the share transfer agreement executed on September 13, 2024.

Reconciliation of the net cash paid for the transfer of Miyuki Building is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2025	**2025**
Current assets	**¥5,884**	**$39,492**
Fixed assets	**68,194**	**457,684**
Current liabilities	**(18,451)**	**(123,837)**
Long-term liabilities	**(33,590)**	**(225,442)**
Other	**(353)**	**(2,373)**
Loss on sales of shares of subsidiaries and affiliates	**(20,699)**	**(138,926)**
Transfer amount	**983**	**6,597**
Cash and cash equivalents	**(5,877)**	**(39,449)**
Net cash paid from transfer of shares of Miyuki Building Co., Ltd.	**¥(4,894)**	**$(32,852)**

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

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
	2024
Current assets	¥64,067
Fixed assets	3,866
Current liabilities	(35,888)
Long-term liabilities	(27,390)
Noncontrolling interests	(931)
Gain on sales of shares of subsidiaries and affiliates	1,475
Transfer amount	5,199
Cash and cash equivalents	(373)
Net cash received from transfer of shares of DFL Lease	¥4,825

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

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
	2024
Current assets	¥158,247
Fixed assets	6,870
Current liabilities	(95,434)
Long-term liabilities	(63,124)
Net unrealized loss on available-for-sale securities	(319)
Noncontrolling interests	(1,921)
Loss on sales of shares of subsidiaries and affiliates	(847)
Transfer amount	3,470
Cash and cash equivalents	(4,172)
Net cash paid for transfer of shares of Shutoken Leasing	¥(701)

Notes to Consolidated Financial Statements

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries

Years ended March 31, 2025 and 2024

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 2024 consolidated financial statements to conform to the classifications used in 2025.

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 ¥149 to USD1, the approximate rate of exchange at March 31, 2025.

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, 2025, include the accounts of the Company and its 249 (245 in 2024) 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 2024) unconsolidated subsidiary and 64 (67 in 2024) 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 79 such collective investment vehicles in 2025 (66 in 2024).

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, 2025.

The fiscal period of JSA International Holdings, L.P. and its 16 subsidiaries ("JSA Group") was December 31 and their accounts 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 year then ended. From the year ended March 31, 2025, the fiscal period of JSA Group has been changed to March 31. The results of operations for the period from January 1, 2024 to March 31, 2024 have been adjusted through the consolidated statement of income, therefore, the results of operations for 15-month period from January 1, 2024, to March 31, 2025, have been included in consolidation.

Revenues, operating income, income before income taxes, and net income of JSA Group were ¥40,653 million ($272,842 thousand), ¥9,125 million ($61,247 thousand), ¥9,063 million ($60,826 thousand) and ¥6,061 million ($40,683 thousand), respectively, for the period from January 1, 2024, to March 31, 2024. Deferred gain on derivatives under hedge accounting and foreign currency translation adjustments increased by ¥6,443 million ($43,243 thousand) and ¥22,866 million ($153,465 thousand), respectively, for the same period.

As a result of these changes, net income attributable to owners of the parent increased by ¥9,437 million ($63,342 thousand) for the year ended March 31, 2025.

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.

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 ¥109,270 million ($733,358 thousand) in 2025 and ¥113,577 million in 2024.

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, etc.

With regard to sales from selling merchandise and sales from disposal of lease properties, etc. 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 — Marketable and investment securities are classified and accounted for, depending on management's intent, as held-to-maturity debt securities and available-for-sale securities. Held-to-maturity debt securities are reported at amortized cost (Straight-line method). 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 ¥437 million ($2,934 thousand) and ¥210,171 million ($1,410,544 thousand), respectively, as of March 31, 2025, and ¥763 million and ¥160,977 million, respectively, as of March 31, 2024. In addition, the Companies record income from those securities as “Revenues” in the consolidated statements of income.

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 ¥16,206 million ($108,770 thousand) and ¥6,836 million at March 31, 2025 and 2024, 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 certain consolidated subsidiaries 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 sheet 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	11 to 15 years (14 to 15 years in 2024)
Recognition period of actuarial gain/loss	7 to 17 years (7 to 17 years in 2024)

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 is 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 for the year ended March 31, 2024. 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. The effects of this change on the per share information were immaterial.

s. New Accounting Pronouncements

Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)

Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)

(1) Outline

As part of the initiatives to make Japanese GAAP consistent with international standards, ASBJ conducted a study based on international accounting standards to develop an accounting standard relating to leases that will have lessees recognize assets and liabilities for all leases, and issued an accounting standard for leases and a guidance. While the basic policy of the standard is based on a single lessee accounting model of IFRS 16, the standard aimed to be simple and highly convenient, basically requiring no modification when applying the provisions of IFRS 16 to nonconsolidated financial statements by only adopting the main provisions instead of the whole of IFRS 16.

For the accounting treatment of lessors, lessors shall allocate the interest component of lease payments over the lease term of lessors, and the method of recognizing lease payments as revenues and costs at the time of receipt, which is permitted as a selectively applicable method of financial leases under the current accounting standards, will be abolished.

For the accounting treatment of lessees, lessees shall adopt the single lessee accounting model as the method to allocate expenses arising from leases as with IFRS 16, under which depreciation on right-of-use assets and interest component of lease liabilities for all leases, regardless of a finance lease or an operating lease are recorded.

(2) Date of application

The Company expects to apply the standard and the guidance for annual periods beginning on or after April 1, 2027.

(3) Effect of adopting the standard and the guidance

The Company is in the process of measuring the effects of applying the standard and the guidance in future applicable periods.

t. 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 ¥1,524,304 million ($10,230,233 thousand) and ¥1,289,006 million at March 31, 2025 and 2024, 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 composed 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 ¥3,751 million ($25,179 thousand) and ¥1,998 million were included in costs in the accompanying consolidated statements of income for the years ended March 31, 2025 and 2024, 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 ¥98,706 million ($662,460 thousand) and ¥102,091 million of goodwill as of March 31, 2025 and 2024, 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 (“ECL”) model, 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 (“CECL”) model, 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 ¥70,147 million ($470,789 thousand) and ¥95,357 million as of March 31, 2025 and 2024, respectively.

u. 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, 2025, were ¥2,163 million ($14,522 thousand) and 2,527 thousand shares, respectively, and as of March 31, 2024, were ¥2,318 million and 2,685 thousand shares, respectively.

v. Additional Information

(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 through consolidated subsidiary of the Company, MHC Energy Europe ApS (“MHC Energy Europe”) on April 16, 2024, in accordance with the Agreement. As a result, European Energy became an associated company of the Company, which is accounted for by the equity method.

Overview of European Energy is as follows:

Name:	European Energy A/S
Business:	Renewable energy and next generation energy business
Commencement date of application of the equity method:	April 16, 2024
Percentage of voting rights after the investment:	20%

1. Objective of the investment

European Energy is providing renewable energy business in 28 countries throughout the globe, mainly in Europe. Further, European Energy has a large growth potential in next generation energy business by being a global leading and pioneering player, which produces green energy, such as e-methanol and green hydrogen generated.

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.

2. Date of the investment

April 16, 2024

3. Period on business results of the associated company included in the consolidated income statements

The fiscal year end of MHC Energy Europe is December 31 and its financial for the year ended December 31, 2024, is included in the consolidated financial statements for the year ended March 31, 2025.

As the commencement date of application of the equity method for European Energy is April 16, 2024, the results of operations of European Energy for the period from April 16, 2024, to December 31, 2024, are included in Other – net of Other income (expenses) in the consolidated income statements for the year ended March 31, 2025.

4. Outline of accounting treatment

(1) Details of acquisition cost and consideration by type

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash	**¥120,005**	**$805,402**
Acquisition-related cost	Fees and commissions for advisory services, etc.	**930**	**6,245**
Acquisition cost		**¥120,935**	**$811,647**

(2) The amount of goodwill equivalent included in the investment securities, reason for recognition and method and period of amortization

(a) The amount of goodwill equivalent included in the investment securities
¥ 85,234 million ($572,042 thousands)

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

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

3. Business Combinations

Business Divestitures
a. Transfer of Miyuki Building

At the meeting of the Board of Directors held on August 9, 2024, the Company resolved to sell all shares of Miyuki Building, a consolidated subsidiary of the Company, held by the Company and Mitsubishi HC Capital Estate Plus Inc., a consolidated subsidiary of the Company, and signed a share transfer agreement on September 13, 2024. The share transfer was completed on September 20, 2024.

1. Outline of the share transfer

(1) Name and business of the subsidiary

Name: Miyuki Building Co., Ltd.
Business: Real estate leasing business

(2) Name of the counterparty of the share transfer
RED WAVE G.K. ("RED WAVE")

(3) Reason for the share transfer
The Company made Miyuki Building its consolidated subsidiary in 2009 and had been enhancing the operational functions of real estate business, including leasing, administration, and property management. The Company decided to execute the share transfer that it will be meaningful for Miyuki Building to achieve further growth by collaborating with TOEI CO., LTD., a long-established real estate lessor mainly in Chukyo area and an investor of RED WAVE.

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

(4) Date of the share transfer
September 20, 2024

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

2. Outline of accounting treatment

(1) Amount of loss on sales of shares
¥20,699 million ($138,926 thousand)

(2) 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	**¥5,884**	**$39,492**
Property and equipment, and investments and other assets	**68,194**	**457,684**
Total assets	**¥74,079**	**$497,177**
Current liabilities	**¥18,451**	**$123,837**
Long-term liabilities	**33,590**	**225,442**
Total liabilities	**¥52,042**	**$349,280**

(3) Accounting treatment
The Company presented the difference between the book value and the transfer price of Miyuki Building 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, 2025.

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, 2025

	Millions of yen	Thousands of U.S. dollars
Revenues	**¥60,359**	**$405,097**
Operating income	**38,057**	**225,418**

Acquisition

b. 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
Fair value of stocks held immediately before the business combination date	¥4,109
Fair value of stocks additionally purchased on the business combination date	11,499
Acquisition cost	¥15,608

4. Details and amount of major acquisition-related cost

	Millions of yen
Fees and commissions for advisory services, etc.	¥91

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

	Millions of yen
Gain on step acquisition	¥3,067

6. The amount of goodwill recognized and reason for recognition

(1) The amount of goodwill
¥13,207 million

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

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

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

	Millions of yen
Current assets	¥1,931
Property and equipment, and investments and other assets	2,113
Total assets	¥4,045
Current liabilities	¥778
Long-term liabilities	865
Total liabilities	¥1,644

8. Estimated impact on the consolidated statement of income for the year ended March 31, 2024, assuming the business combination had been completed at the beginning of the 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
c. 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 the 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 a business portfolio transformation, including the strategic allocation of management resources and optimization of business process within the Companies, toward realizing "Our 10-Year Vision." 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

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

	Millions of yen
Current assets	¥64,067
Property and equipment, and investments and other assets	3,866
Total assets	¥67,933
Current liabilities	¥35,888
Long-term liabilities	27,390
Total liabilities	¥63,278

(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, included 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
Revenues	¥14,364
Operating income	608

d. 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 customers of the Resona group through Shutoken Leasing. Shutoken Leasing became an equity-method affiliated company of Resona HD in July 2018, and in collaboration with Resona HD, Shutoken Leasing has been providing diverse service solutions held by the Companies to the 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 the Resona group and executed the share transfer agreement.

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

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

	Millions of yen
Current assets	¥158,247
Property and equipment, and investments and other assets	6,870
Total assets	¥165,118
Current liabilities	¥95,434
Long-term liabilities	63,124
Total liabilities	¥158,559

(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 under 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
Revenues	¥37,624
Operating income	1,247

4. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Marketable securities	**¥2,732**	¥2,565	**$18,335**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**303,050**	216,492	**2,033,897**
Other securities	**247,147**	211,037	**1,658,707**
Total	**¥552,930**	¥430,095	**$3,710,940**

Marketable and investment securities as of March 31, 2025 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Equity securities	**¥269,065**	¥183,552	**$1,805,811**
Debt securities	**25,291**	32,026	**169,743**
Trust fund investments and other	**258,572**	214,515	**1,735,385**
Total	**¥552,930**	¥430,095	**$3,710,940**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2025 and 2024, were as follows:

	Millions of yen			
March 31, 2025	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Debt securities	**¥1,913**		**¥(39)**	**¥1,874**
Available-for-sale:				
Equity securities	**20,505**	**¥9,265**	**(4,702)**	**25,068**
Debt securities	**25,822**		**(2,444)**	**23,378**
Trust fund investments and other	**5,336**	**666**		**6,002**
Total	**¥53,577**	**¥9,931**	**¥(7,185)**	**¥56,323**

	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

	Thousands of U.S. dollars			
March 31, 2025	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Held-to-maturity:				
Debt securities	**$12,843**		**$(264)**	**$12,579**
Available-for-sale:				
Equity securities	**137,621**	**$62,182**	**(31,559)**	**168,244**
Debt securities	**173,302**		**(16,403)**	**156,899**
Trust fund investments and other	**35,813**	**4,471**		**40,285**
Total	**$359,581**	**$66,654**	**$(48,226)**	**$378,008**

Carrying amounts of nonmarketable equity securities and investments in partnerships, etc., for which the equity interest equivalents are recorded as net in the consolidated balance sheets as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Nonmarketable equity securities:			
Shares of subsidiaries and associated companies	**¥235,858**	¥132,405	**$1,582,945**
Unlisted shares	**8,138**	9,734	**54,621**
Total	**¥243,997**	¥142,140	**$1,637,566**
Investments in partnership, etc.:			
Silent partnership interests and other	**¥252,569**	¥207,586	**$1,695,100**
Unconsolidated subsidiaries and associated companies			
Total	**¥252,569**	¥207,586	**$1,695,100**

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Proceeds	**¥55,352**	¥39,584	**$371,490**
Realized gains	**22,359**	17,813	**150,064**
Realized losses	**(421)**	(357)	**(2,828)**

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Equity securities	**¥1,533**		**$10,293**
Trust fund investments and other		¥295	
Total	**¥1,533**	¥295	**$10,293**

5. Inventories

Inventories as of March 31, 2025 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Merchandise	**¥49,278**	¥38,240	**$330,725**
Total	**¥49,278**	¥38,240	**$330,725**

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 rental income and operating expenses from these properties was ¥15,332 million ($102,902 thousand) and ¥13,755 million for the years ended March 31, 2025 and 2024, respectively. The net gain from sales of these properties was ¥3,461 million ($23,231 thousand) and ¥14,067 million for the years ended March 31, 2025 and 2024, respectively.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2025 and 2024, were as follows:

Millions of yen			
2025			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
¥468,712	**¥(48,875)**	**¥419,836**	**¥464,143**

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

Thousands of U.S. dollars			
2025			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
$3,145,720	**$(328,022)**	**$2,817,697**	**$3,115,057**

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 year ended March 31, 2025, was primarily attributable to ¥63,118 million ($423,612 thousand) increase from the acquisition of real estate, ¥67,821 million ($455,178 thousand) decrease from the exclusion of Miyuki Building from the scope of consolidation, and ¥28,458 million ($190,997 thousand) decrease from the sale of real estate.

Net change during the year ended March 31, 2024, was primarily attributable to ¥126,862 million increase from the acquisition of real estate, and ¥44,053 million decrease from the sale 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 of 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 during 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, 2025, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2025**	**2025**
2026	**¥452,525**	**$3,037,084**
2027	**369,430**	**2,479,400**
2028	**273,582**	**1,836,121**
2029	**181,281**	**1,216,656**
2030	**127,463**	**855,461**
Thereafter	**248,616**	**1,668,570**
Total	**¥1,652,900**	**$11,093,293**

Investments in leases as of March 31, 2025 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Gross investments in leases	**¥2,076,095**	¥2,028,428	**$13,933,524**
Residual values	**83,822**	81,700	**562,568**
Unearned interest income	**(429,879)**	(398,630)	**(2,885,100)**
Total	**¥1,730,037**	¥1,711,498	**$11,610,992**

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2025, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2025**	**2025**
2026	**¥542,204**	**$3,638,955**
2027	**434,374**	**2,915,262**
2028	**332,009**	**2,228,251**
2029	**247,031**	**1,657,929**
2030	**143,999**	**966,438**
Thereafter	**376,476**	**2,526,687**
Total	**¥2,076,095**	**$13,933,524**

The consolidated balance sheet amounts of sublease contracts, including those that aim to disperse credit risks, and interest as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Lease receivables	**¥13,999**	¥17,520	**$93,954**
Investments in leases	**16,063**	21,973	**107,807**
Lease obligations	**31,343**	41,334	**210,361**

"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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Due within one year	**¥470,588**	¥404,725	**$3,158,312**
Due after one year	**1,663,684**	1,414,266	**11,165,666**
Total	**¥2,134,272**	¥1,818,992	**$14,323,979**

9. Goodwill

Goodwill as of March 31, 2025 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Goodwill in connection with acquisition	**¥4,234**	¥6,352	**$28,421**
Consolidation goodwill	**94,471**	95,738	**634,038**
Total	**¥98,706**	¥102,091	**$662,460**

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, 2025 and 2024.

(1) Property and equipment

The Company recognized impairment losses of ¥3,894 million ($26,140 thousand) on the following property and equipment in the accompanying consolidated statement of income for the year ended March 31, 2025.

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2025		
Leased assets	Aircraft	**¥3,751**	**$25,179**
Leased assets	Aircraft engine	**143**	**960**

Certain consolidated subsidiaries of the Company determine whether there is an indication of impairment by considering individual aircraft as an asset group for aircraft leasing and individual aircraft engine as an asset group for aircraft engine leasing, and 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.

In case the recoverable value of the assets is calculated based on the value in use, the value in use is calculated based on the future cash flows discounted by 5.0%. In case the recoverable value of the assets is calculated based on the net selling price, the net selling price is calculated based on the planned selling prices.

The Company recognized impairment losses of ¥2,713 million 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
	2024	
Leased assets	Aircraft	¥1,998
Leased assets	Aircraft engine	715

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 calculated based on the future cash flows discounted mainly by 5.1%.

(2) Investments and other assets

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2025		
-	Investments and other assets - other	**¥698**	**$4,690**

Certain consolidated subsidiaries of the Company determine whether there is an indication of impairment by considering lease agreements for each aircraft as an asset group. The carrying amount of intangible assets related to aircraft leases whose profitability has declined due to changes in the terms of lease agreements, etc. was reduced to the recoverable amount, and the reduced amount was recorded in costs as impairment losses.
The recoverable value of the assets is measured based on the value in use, and the recoverable value of the assets is evaluated as zero.

(3) Asset group employed by solar power generation business

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2025		
Solar power generation business assets	Other operating assets	**¥4,003**	**$26,866**

The Company considers each project within the solar power generation business as an asset group when determining impairment. For certain projects in the solar power generation business for which the impairment losses have been recognized for the year ended March 31, 2024, the carrying amounts 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 calculated based on the future cash flows discounted by 4.2%.

Use	Type of assets	Millions of yen
	2024	
Solar power generation business assets	Other operating assets	¥5,816

The Company considers each project within the solar power generation business as an asset group when determining impairment. For certain projects in the solar power generation business, the carrying amounts 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 calculated based on the future cash flows discounted by 3.9%.

11. Pledged Assets

As of March 31, 2025, 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
	2025	**2025**
Cash, cash equivalents, and time deposits other than cash equivalents	**¥22,003**	**$147,674**
Receivables — loans *1	**179,660**	**1,205,777**
Receivables — installment sales	**12,734**	**85,463**
Lease receivables and investments in leases	**571,422**	**3,835,050**
Current assets — other	**13,830**	**92,819**
Leased assets	**1,573,285**	**10,558,962**
Other operating assets *2	**94,254**	**632,578**
Investment securities *1	**23,185**	**155,605**
Other intangible assets	**2,153**	**14,453**
Investments and other assets — other	**67**	**452**
Future rentals on operating lease contracts	**339**	**2,277**
Total	**¥2,492,936**	**$16,731,115**

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2025	**2025**
Short-term loans from banks and other financial institutions	**¥899**	**$6,036**
Bonds	**300**	**2,013**
Long-term loans from banks and other financial institutions *2	**1,013,393**	**6,801,298**
Loans from the securitizations of the minimum future rentals on lease contracts	**580,718**	**3,897,437**
Long-term liabilities — other	**320**	**2,148**
Total	**¥1,595,631**	**$10,708,934**

*1 Receivables — loans of ¥8,538 million ($57,303 thousand) and ¥8,562 million as of March 31, 2025 and 2024, respectively, and investment securities of ¥19,497 million ($130,854 thousand) and ¥18,577 million as of March 31, 2025 and 2024, respectively, were secured by a pledge or mortgage on loans from financial institutions of the investees.

*2 Other operating assets of ¥28,786 million ($193,196 thousand) and ¥30,905 million as of March 31, 2025 and 2024, respectively, were factory foundation mortgages, and long-term loans from banks and other financial institutions of ¥28,645 million ($192,250 thousand) and ¥30,999 million as of March 31, 2025 and 2024, respectively, were liabilities corresponding to factory foundation mortgages.

12. Nonrecourse Loans

Nonrecourse loans as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Current maturities of nonrecourse long-term loans	**¥1,595**	¥2,796	**$10,705**
Nonrecourse long-term loans, less current maturities	**8,765**	19,604	**58,826**
Total	**¥10,360**	¥22,401	**$69,532**

Pledged assets for nonrecourse loans as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Lease receivables	**¥11,894**		**$79,829**
Leased assets	**2,054**	¥23,140	**13,791**
Total	**¥13,949**	¥23,140	**$93,620**

13. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Short-term loans from banks and other financial institutions:			
3.22%	**¥475,421**		**$3,190,745**
3.84%		¥471,060	
Commercial paper:			
0.87%	**¥965,408**		**$6,479,252**
1.07%		¥784,178	

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Bonds:			
Bonds without collateral:			
Due 2025-2036, 0.150%-1.515%	**¥737,033**		**$4,946,531**
Due 2024-2036, 0.050%-0.963%		¥797,153	
Subordinated bonds without collateral with interest deferral and early redemption clauses:			
Due 2076-2081, 0.630%-1.310%	**110,051**		**738,597**
Due 2076-2081, 0.630%-1.310%		110,080	
U.S. dollar bonds without collateral:			
Due 2025-2030, 3.637%-5.080%	**194,376**		**1,304,536**
Due 2025-2030, 3.637%-5.080%		196,833	
Euroyen bonds issued under the Medium Term Note (“MTN”) program:			
Due 2025-2034, 0.080%-1.364%	**23,500**		**157,718**
Due 2024-2027, 0.020%-0.340%		28,000	
Bonds without collateral issued by Bangkok Mitsubishi HC Capital Co., Ltd.:			
Due 2024, 0.130%		1,522	
U.S. dollar bonds without collateral issued by Jackson Square Aviation Ireland Ltd.:			
Due 2027-2028, 3.840%-3.990%	**29,904**		**200,697**
Due 2024-2028, 3.520%-3.990%		42,549	
U.S. dollar bonds without collateral issued by Engine Lease Finance Corporation:			
Due 2026-2031, 4.480%-4.730%	**31,636**		**212,322**
Due 2026-2031, 4.480%-4.730%		28,366	
U.S. dollar bonds issued under the MTN program by MHC America Holdings Corporation:			
Due 2025-2033, 2.336 % -6.849%	**82,535**		**553,926**
Due 2024-2033, 2.336 % -7.879%		92,057	
U.S. dollar bonds without collateral issued by MHC America Holdings Corporation:			
Due 2028-2033, 5.150%-5.807%	**224,206**		**1,504,740**
Due 2028-2033, 5.658%-5.807%		151,410	
Sterling pound bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2025-2028, 5.105%-5.880%	**118,789**		**797,242**
Due 2025-2028, 0.842%-6.199%		48,642	
Euro bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2025-2029, 5,057%-5.805%	**332,326**		**2,230,381**
Due 2024-2029, 5,795%-6.537%		261,567	
U.S. dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2025-2029, 5.045%-5.786%	**137,874**		**925,330**
Due 2024-2029, 5.839%-6,519%		91,764	
Bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2025-2039, 4.867%-6.116%	**239,832**		**1,609,615**
Due 2024-2031, 5.691%-6.849%		212,880	
Hong Kong dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2025-2027, 5.107%-5.476%	**39,883**		**267,672**
Due 2024-2026, 5.899%-6.209%		30,187	

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Australian dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2026-2029, 1.830%-5.907%	**¥41,444**		**$278,152**
Due 2026-2029, 1.830%-6.639%		¥43,678	
South African Rand bond issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2025-2027, 4.887%-5.397%	**4,903**		**32,907**
Due 2024, 5.519%-5.759%		3,197	
New Zealand dollars bond issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2029, 5.498%	**2,530**		**16,986**
Chinese yuan bond issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2026, 5.144%	**4,335**		**29,097**
Swiss franc bond issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2025, 5.127%	**2,545**		**17,084**
U.S. dollars bonds without collateral issued under MTN program by Mitsubishi HC Capital America, Inc.:			
Due 2025-2027, 1.324%-2.535%	**19,442**		**130,484**
Due 2024-2027, 1.100%-2.535%		21,221	
Bonds— other:	**997**	9,162	**6,694**
Total	**¥2,378,147**	¥2,170,273	**$15,960,721**

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
	2025	2024	**2025**
Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 3.67%	**¥846,999**		**$5,684,561**
Due 2026-2052, 3.66%	**3,583,664**		**24,051,437**
Due within one year, 2.96%		¥1,009,821	
Due 2025-2052, 3.57%		3,416,097	
Total	**¥4,430,663**	¥4,425,919	**$29,735,999**
Nonrecourse loans:			
Due within one year, 5.21%	**¥1,595**		**$10,705**
Due 2026-2031, 5.18%	**8,765**		**58,826**
Due within one year, 3.67%		¥2,796	
Due 2025-2032, 3.53%		19,604	
Total	**¥10,360**	¥22,401	**$69,532**
Lease obligations, including fixed interests:			
Due within one year	**¥13,729**		**$92,141**
Due 2026-2049	**29,085**		**195,208**
Due within one year		¥17,852	
Due 2025-2049		37,427	
Total	**¥42,815**	¥55,279	**$287,349**
Loans from the securitizations of the minimum future rentals on lease contracts:			
Due within one year, 2.37%	**¥225,686**		**$1,514,675**
Due 2026-2032, 2.28%	**355,109**		**2,383,287**
Due within one year, 2.30%		¥224,330	
Due 2025-2031, 2.10%		341,628	
Total	**¥580,796**	¥565,959	**$3,897,962**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥177**		**$1,190**
Due 2026-2032	**567**		**3,807**
Due within one year		¥191	
Due 2025-2032		744	
Total	**¥744**	¥935	**$4,998**

The interest rates for loans from banks and other financial institutions, commercial paper, and loans from the securitization of the minimum future rentals on lease contracts represent the weighted-average rates on outstanding balances at March 31, 2025 and 2024.

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 loans. As of March 31, 2025, the Company has not received any such requests.

Annual maturities of long-term debt as of March 31, 2025, for the next five years were as follows:

	Millions of yen				
March 31, 2025	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	**¥475,421**				
Commercial paper	**965,408**				
Bonds	**469,064**	**¥408,218**	**¥545,472**	**¥266,954**	**¥277,693**
Nonrecourse bonds					
Long-term loans from banks and other financial institutions	**846,999**	**876,205**	**848,426**	**617,694**	**473,664**
Nonrecourse loans	**1,595**	**1,642**	**1,690**	**1,740**	**1,792**
Lease obligations	**13,729**	**9,371**	**5,903**	**4,458**	**2,168**
Loans from the securitizations of the minimum future rentals on lease contracts and other	**225,864**	**149,449**	**93,291**	**86,322**	**14,521**
Total	**¥2,998,081**	**¥1,444,886**	**¥1,494,784**	**¥977,170**	**¥769,840**

	Thousands of U.S. dollars				
March 31, 2025	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	**$3,190,745**				
Commercial paper	**6,479,252**				
Bonds	**3,148,081**	**$2,739,718**	**$3,660,889**	**$1,791,642**	**$1,863,714**
Nonrecourse bonds					
Long-term loans from banks and other financial institutions	**5,684,561**	**5,880,571**	**5,694,140**	**4,145,602**	**3,178,957**
Nonrecourse loans	**10,705**	**11,020**	**11,343**	**11,681**	**12,028**
Lease obligations	**92,141**	**62,895**	**39,622**	**29,920**	**14,554**
Loans from the securitizations of the minimum future rentals on lease contracts and other	**1,515,866**	**1,003,017**	**626,115**	**579,343**	**97,459**
Total	**$20,121,355**	**$9,697,224**	**$10,032,111**	**$6,558,191**	**$5,166,715**

The Company and certain consolidated subsidiaries had loan commitment agreements as of March 31, 2025 and 2024, amounting to ¥964,860 million ($6,475,574 thousand) and ¥880,449 million, respectively, of which ¥810,256 million ($5,437,961 thousand) and ¥737,839 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, 2025 and 2024, were ¥42 million ($287 thousand) and ¥69 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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Balance at beginning of year	**¥74,581**	¥78,186	**$500,545**
Current service cost	**2,650**	2,993	**17,786**
Interest cost	**1,079**	927	**7,242**
Actuarial losses	**(6,403)**	(3,469)	**(42,973)**
Benefits paid	**(3,559)**	(4,020)	**(23,888)**
Prior service cost	**(4,951)**		**(33,233)**
Change in the scope of consolidation	**(530)**	(971)	**(3,560)**
Foreign currency translation differences	**106**	933	**714**
Balance at end of year	**¥62,972**	¥74,581	**$422,632**

(2) The changes in plan assets for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Balance at beginning of year	**¥80,911**	¥75,112	**$543,029**
Expected return on plan asset	**1,738**	1,617	**11,668**
Actuarial (losses) gains	**(4,017)**	3,923	**(26,963)**
Contributions from the employer	**2,033**	2,809	**13,646**
Benefits paid	**(2,989)**	(3,092)	**(20,061)**
Change in the scope of consolidation	**(519)**	(428)	**(3,486)**
Foreign currency translation differences	**111**	970	**750**
Balance at end of year	**¥77,268**	¥80,911	**$518,583**

(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
	2025	2024	2025
Funded defined benefit obligation	¥60,206	¥71,637	$404,072
Plan assets	(77,268)	(80,911)	(518,583)
	(17,062)	(9,274)	(114,510)
Unfunded defined benefit obligation	2,765	2,944	18,560
Net (asset) liability arising from defined benefit obligation	¥(14,296)	¥(6,330)	$(95,950)
Liability for retirement benefits	¥2,754	¥6,049	$18,485
Asset for retirement benefits	(17,051)	(12,379)	(114,436)
Net (asset) liability arising from defined benefit obligation	¥(14,296)	¥(6,330)	$(95,950)

(4) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service cost	¥2,650	¥2,993	$17,786
Interest cost	1,079	927	7,242
Expected return on plan assets	(1,738)	(1,617)	(11,668)
Recognized actuarial losses	(547)	83	(3,675)
Amortization of prior service cost	(683)	(233)	(4,587)
Others	7	7	48
Net periodic benefit costs	¥766	¥2,161	$5,146

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Prior service cost	¥4,268	¥(233)	$28,646
Actuarial gains	1,837	7,475	12,334
Total	¥6,106	¥7,242	$40,980

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized prior service cost	¥(6,101)	¥(1,832)	$(40,946)
Unrecognized actuarial gains	(10,304)	(8,466)	(69,155)
Total	¥(16,405)	¥(10,299)	$(110,101)

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2025	2024
Debt investments	**45%**	44%
Equity investments	**17**	22
General account	**23**	15
Alternative investments*	**13**	14
Others	**2**	5
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 by considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2025 and 2024, were set forth as follows:

	2025	2024
Discount rate	**1.30-2.03%**	0.62-1.41%
Expected rate of return on plan assets	**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, 2025 and 2024, were ¥3,725 million ($25,002 thousand) and ¥3,317 million, respectively.

15. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2025, totaling ¥351,519 million ($2,359,191 thousand), where the used portion is ¥157,962 million ($1,060,148 thousand), and the unused portion is ¥193,557 million ($1,299,043 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, 2025, as guarantor or co-guarantor for operating transactions of ¥ 13,981 million ($93,832 thousand), and borrowings and others of ¥ 1,038 million ($6,967 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 certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year by resolution of 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 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 2.u, 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 to 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 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 are 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 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 after one year from the first day after leaving their position as either a director or executive officer of the Company.

The stock options outstanding as of March 31, 2025, were as follows:

	2013 stock option	2014 stock option	2015 stock option
Persons granted	10 directors 17 executive officers	10 directors 19 executive officers	10 directors 18 executive officers
Number of options granted*	583,100	419,000	350,300
Date of grant	October 15, 2012	October 15, 2013	October 15, 2014
The fair value of options granted under the plan at the grant dates*	¥312.8 ($2.09)	¥502 ($3.36)	¥490 ($3.28)

	2016 stock option	2017 stock option	2018 stock option
Persons granted	9 directors 20 executive officers	9 directors 20 executive officers	9 directors 27 executive officers
Number of options granted*	368,800	451,700	493,000
Date of grant	October 15, 2015	October 14, 2016	October 13, 2017
The fair value of options granted under the plan at the grant dates*	¥546 ($3.66)	¥436 ($2.92)	¥566 ($3.79)

	2019 stock option	2020 stock option	2021 stock option
Persons granted	6 directors 33 executive officers	5 directors 30 executive officers	5 directors 31 executive officers
Number of options granted*	422,400	490,400	507,000
Date of grant	July 13, 2018	July 12, 2019	July 15, 2020
The fair value of options granted under the plan at the grant dates*	¥590 ($3.95)	¥513 ($3.44)	¥424 ($2.84)

	2022 stock option	2023 stock option
Persons granted	6 directors 55 executive officers	6 directors 55 executive officers
Number of options granted*	866,300	855,400
Date of grant	July 15, 2021	July 15, 2022
The fair value of options granted under the plan at the grant dates*	¥499 ($3.34)	¥511.0 ($3.42)

The Companies recognized no stock-based compensation costs for the years ended March 31, 2025 and 2024.

The stock option activity for the fiscal years ended March 31, 2025 and 2024, was as follows:

	2013 stock option	2014 stock option	2015 stock option	2016 stock option
	Number of shares*			
For the year ended March 31, 2024				
Outstanding at beginning of fiscal year ..	101,200	101,200	179,600	209,000
Granted				
Canceled or expired				
Exercised...	63,700	43,300	66,300	52,200
Outstanding at end of fiscal year............	37,500	57,900	113,300	156,800
Vested at end of fiscal year.....................	37,500	57,900	113,300	156,800
For the year ended March 31, 2025				
Outstanding at beginning of fiscal year ..	**37,500**	**57,900**	**113,300**	**156,800**
Granted				
Canceled or expired				
Exercised...	**15,900**	**43,200**	**53,600**	**81,900**
Outstanding at end of fiscal year............	**21,600**	**14,700**	**59,700**	**74,900**
Vested at end of fiscal year.....................	**21,600**	**14,700**	**59,700**	**74,900**

	2017 stock option	2018 stock option	2019 stock option	2020 stock option
	Number of shares*			
For the year ended March 31, 2024				
Outstanding at beginning of fiscal year	312,900	367,400	323,500	454,500
Granted				
Canceled or expired				
Exercised	81,300	30,700	36,000	70,300
Outstanding at end of fiscal year	231,600	336,700	287,500	384,200
Vested at end of fiscal year	231,600	336,700	287,500	384,200
For the year ended March 31, 2025				
Outstanding at beginning of fiscal year	**231,600**	**336,700**	**287,500**	**384,200**
Granted				
Canceled or expired				
Exercised	**112,500**	**145,500**	**89,600**	**87,000**
Outstanding at end of fiscal year	**119,100**	**191,200**	**197,900**	**297,200**
Vested at end of fiscal year	**119,100**	**191,200**	**197,900**	**297,200**

	2021 stock option	2022 stock option	2023 stock option
	Number of shares*		
For the year ended March 31, 2024			
Outstanding at beginning of fiscal year	471,000	850,300	855,400
Granted			
Canceled or expired			
Exercised	70,700	9,200	
Outstanding at end of fiscal year	400,300	841,100	855,400
Vested at end of fiscal year	400,300	841,100	855,400
For the year ended March 31, 2025			
Outstanding at beginning of fiscal year	**400,300**	**841,100**	**855,400**
Granted			
Canceled or expired			
Exercised	**73,000**	**172,000**	**107,100**
Outstanding at end of fiscal year	**327,300**	**669,100**	**748,300**
Vested at end of fiscal year	**327,300**	**669,100**	**748,300**

* 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, 2025 and 2024, were as follows:

	Millions of yen						
	Reportable segment						
Year Ended March 31, 2025	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Sales from maintenance contracts	**¥44,209**	**¥29,239**					**¥12**
Sales from selling merchandise	**12,092**	**2,342**		**¥19,737**	**¥688**		
Electricity sales		**940**	**¥29,731**				
Sales from disposal of lease properties (2)		**87,094**		**18,117**	**3,365**		**143**
Others	**8,099**	**16,829**	**98**	**2,654**	**302**	**¥9,563**	**89**
Revenue from contracts with customers	**64,400**	**136,446**	**29,829**	**40,510**	**4,355**	**9,563**	**245**
Other revenue (3)	**904,451**	**357,637**	**16,125**	**281,353**	**131,794**	**107,171**	**5,364**
Total	**¥968,851**	**¥494,084**	**¥45,954**	**¥321,863**	**¥136,150**	**¥116,735**	**¥5,609**

	Millions of yen	
Year Ended March 31, 2025	Adjustments (1)	Consolidated
Revenues:		
Sales from maintenance contracts		**¥73,461**
Sales from selling merchandise		**34,860**
Electricity sales		**30,671**
Sales from disposal of lease properties (2)		**108,720**
Others	**¥1,504**	**39,140**
Revenue from contracts with customers	**1,504**	**286,855**
Other revenue (3)	**54**	**1,803,952**
Total	**¥1,558**	**¥2,090,808**

	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 (2)		71,566		7,704	695		¥ 4
Others	8,650	13,566	120	2,057	328	¥ 7,359	63
Revenue from contracts with customers	57,360	114,810	29,953	24,921	1,268	7,359	67
Other revenue (3)	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 (1)	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 (2)		79,971
Others	1,537	33,683
Revenue from contracts with customers	1,547	237,287
Other revenue (3)	31	1,713,295
Total	¥ 1,578	¥ 1,950,583

Year Ended March 31, 2025	Thousands of U.S. dollars						
	Reportable segment						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Sales from maintenance contracts	**$296,708**	**$196,238**					**$86**
Sales from selling merchandise	**81,154**	**15,723**		**$132,465**	**$4,617**		
Electricity sales		**6,312**	**$199,538**				
Sales from disposal of lease properties (2)		**584,529**		**121,595**	**22,584**		**961**
Others	**54,357**	**112,947**	**657**	**17,818**	**2,030**	**$64,184**	**599**
Revenue from contracts with customers	**432,219**	**915,750**	**200,197**	**271,879**	**29,232**	**64,184**	**1,647**
Other revenue (3)	**6,070,142**	**2,400,253**	**108,222**	**1,888,276**	**884,528**	**719,272**	**36,001**
Total	**$6,502,361**	**$3,316,003**	**$308,419**	**$2,160,156**	**$913,760**	**$783,456**	**$37,649**

Year Ended March 31, 2025	Thousands of U.S. dollars	
	Adjustments (1)	Consolidated
Revenues:		
Sales from maintenance contracts		**$493,032**
Sales from selling merchandise		**233,960**
Electricity sales		**205,851**
Sales from disposal of lease properties (2)		**729,671**
Others	**$10,094**	**262,689**
Revenue from contracts with customers	**10,094**	**1,925,206**
Other revenue (3)	**366**	**12,107,062**
Total	**$10,460**	**$14,032,268**

Notes:
(1) Adjustments in Revenues represent Company-wide revenues that do not belong to a reportable segment. Adjustments include ¥(686) million ($(4,609) thousand) and ¥(1,541) million as the adjusted amounts of sales following the merger with Hitachi Capital, to which the purchase method was applied, for the years ended March 31, 2025 and 2024, respectively.
(2) 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.
(3) Other revenue primarily includes revenue from finance lease, operating lease, loans, and installment sales.

In order to enhance the clarity of disclosure, sales of lease properties associated with the transfer of lease agreements which were included in "Other" for the year ended March 31, 2024, are included in "Sales from disposal of lease properties" for the year ended March 31, 2025.

To reflect this change ¥9,761 million of "Other" in "Aviation" was reclassified as ¥7,704 million of "Sales from disposal of lease properties" and ¥2,057 million of "Other".

Similarly, ¥1,024 million of "Other" in "Logistics" was reclassified as ¥695 million of "Sales from disposal of lease properties" and ¥328 million of "Other" for the year ended March 31, 2024.

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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Receivables from contracts with customers (1)	**¥9,010**	¥8,661	**$60,470**
Contract assets			
Contract liabilities (2)	**9,784**	8,942	**65,669**

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, 2025 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Provision for doubtful receivables	**¥52,841**	¥21,606	**$354,640**
Employees' salaries, bonuses, and allowances	**77,795**	75,486	**522,120**
Other	**144,873**	136,825	**972,303**
Total	**¥275,510**	¥233,919	**$1,849,064**

20. Gain on Step Acquisition

The Companies did not recognize any gain on step acquisition for the year ended March 31, 2025.

The Company recognized a step acquisition gain on its existing holdings of CPD when CPD, 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.

21. Gain from Bargain Purchase

The Company recognized a gain from a bargain purchase on its existing holdings of Soka Logistics Special Purpose Company ("Soka Logistics") when Soka Logistics became a consolidated subsidiary due to an additional investment by the Company for the year ended March 31, 2025.

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

22. Loss on Sales of Shares of Subsidiaries and Affiliates

The Companies recognized loss on the sale of whole shares of Miyuki Building, formerly the consolidated subsidiary of the Company, for the year ended March 31, 2025.

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.

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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Interest expense*1	**¥14,695**	¥16,460	**$98,626**
Interest expense (U.S. dollars)*1	**N/A**	N/A *2	**304,468**
Lease revenue		21,017	

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

*2 $255,269 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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Lease receivables and investments in leases *3		¥93,631	
Short-term loans	**¥22,578**	53,821	**$151,535**
Short-term loans (U.S. dollars)	**N/A**	N/A *5	**1,114,056**
Long-term loans, including current maturities	**256,213**	357,143	**1,719,552**
Long-term loans, including current maturities (U.S. dollars) *4	**N/A**	N/A *6	**3,718,957**

*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 balances of long-term loans (U.S. dollars) secured by the foregoing assets as of March 31, 2025 and 2024, were $1,911,690 thousand and $1,887,714 thousand, respectively.

*5 $857,660 thousand

*6 $3,900,334 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 31.5% and 30.6% for the years ended March 31, 2025 and 2024, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Deferred tax assets:			
Tax loss carryforwards	**¥118,936**	¥108,555	**$798,229**
Accrued expenses	**22,217**	15,458	**149,110**
Allowance for doubtful receivables	**19,753**	14,023	**132,571**
Investment securities	**12,771**	8,897	**85,717**
Asset retirement obligations	**12,071**	11,261	**81,013**
Other	**42,427**	45,565	**284,746**
Total of tax loss carryforwards and temporary differences	**228,176**	203,761	**1,531,388**
Less valuation allowance for tax loss carryforwards	**(7,171)**	(6,377)	**(48,128)**
Less valuation allowance for temporary differences	**(12,655)**	(11,141)	**(84,937)**
Total valuation allowance	**(19,826)**	(17,518)	**(133,065)**
Less deferred tax liabilities	**(182,926)**	(160,094)	**(1,227,694)**
Net deferred tax assets	**¥25,423**	¥26,148	**$170,628**

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	**¥315,312**	¥267,549	**$2,116,192**
Deferred gain on derivatives under hedge accounting			
Other	**50,468**	51,662	**338,714**
Total deferred tax liabilities	**365,781**	319,212	**2,454,906**
Less deferred tax assets	**(182,926)**	(160,094)	**(1,227,694)**
Net deferred tax liabilities	**¥182,854**	¥159,118	**$1,227,211**

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2025 and 2024, were as follows:

	Millions of yen				
March 31, 2025	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	**¥214**	**¥6,628**	**¥4,055**	**¥108,038**	**¥118,936**
Less valuation allowances for tax loss carryforwards	**(182)**	**(5,536)**	**(843)**	**(608)**	**(7,171)**
Net deferred tax assets relating to tax loss carryforwards*2	**¥31**	**¥1,091**	**¥3,212**	**¥107,429**	**¥111,765**

	Millions of yen				
March 31, 2024	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

	Thousands of U.S. dollars				
March 31, 2025	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	**$1,436**	**$44,485**	**$27,218**	**$725,089**	**$798,229**
Less valuation allowances for tax loss carryforwards	**(1,227)**	**(37,156)**	**(5,658)**	**(4,085)**	**(48,128)**
Net deferred tax assets relating to tax loss carryforwards*2	**$208**	**$7,328**	**$21,560**	**$721,003**	**$750,101**

*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 the 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 2025.

The difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2025, was not disclosed because the difference was less than 5% of the normal effective statutory tax rate.

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 year ended March 31, 2024, was as follows:

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

On March 31, 2025, “the Act for Partial Amendment of the Income Tax Act. Etc. (Act No. 13, 2025)” was enacted in the Diet session. As a result of the amendment, "Defense Special Corporate Tax" will be levied from the fiscal year beginning on or after April 1, 2026. In relation to the amendment, the statutory tax rate used in calculation of deferred tax assets and liabilities on temporary differences that are expected to be reversed from the fiscal year beginning on or after April 1, 2026 has been changed from 30.6% to 31.5%.

As a result of this change, deferred tax assets (net of deferred tax liabilities) increased by ¥145 million ($974 thousand) and income taxes – deferred decreased by ¥448 million ($3,012 thousand), respectively.

25. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Due within one year	**¥4,041**	¥3,525	**$27,121**
Due after one year	**6,775**	7,296	**45,476**
Total	**¥10,817**	¥10,821	**$72,598**

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 related 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 for 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 profit margins 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 their 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 regularly reports 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 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, 2025 and 2024, was ¥7,237 million ($48,576 thousand) and ¥6,642 million, respectively. The market risk VaR at March 31, 2025 and 2024, was ¥165,602 million ($1,111,426 thousand) and ¥163,952 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 these are also exposed to market risks similar to those of 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 the statistically possible amount of losses within 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 is 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 mix of their financing. Through maintaining commitment lines with multiple financial institutions and diversifying financing methods, the Companies endeavor to secure liquidity. In addition, based on the Companies' internal liquidity risk management rules, 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 executive officer in charge 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 the 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, the 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, 2025	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	**¥14,833**		**¥10,235**	**¥25,068**
Government and municipal bonds	**5,941**			**5,941**
Corporate bonds		**¥17,436**		**17,436**
Other		**5,577**	**424**	**6,002**
Derivative transactions (1):				
Foreign currency forward contracts		**(47,916)**		**(47,916)**
Interest rate swaps		**25,444**		**25,444**
Total assets	**¥20,774**	**¥542**	**¥10,659**	**¥31,977**

	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 (2):				
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

	Thousands of U.S. dollars			
March 31, 2025	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	**$99,552**		**$68,692**	**$168,244**
Government and municipal bonds	**39,872**			**39,872**
Corporate bonds		**$117,026**		**117,026**
Other		**37,433**	**2,851**	**40,285**
Derivative transactions (1):				
Foreign currency forward contracts		**(321,586)**		**(321,586)**
Interest rate swaps		**170,770**		**170,770**
Total assets	**$139,425**	**$3,643**	**$71,543**	**$214,612**

Notes:

(1) Carrying amounts of derivative transactions to which hedge accounting is applied were ¥(22,096) million ($148,297 thousand) as of March 31, 2025.

(2) Carrying amounts of derivative transactions to which hedge accounting is applied were ¥(24,941) million as of March 31, 2024, 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, 2025	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Receivables:						
Installment sales					¥165,261	
Deferred profit on installment sales					(7,018)	
Allowance for doubtful receivables					(1,241)	
Subtotal			¥159,988	¥159,988	157,001	¥2,986
Receivables:						
Loans					2,148,535	
Allowance for doubtful receivables					(18,163)	
Subtotal		¥231	2,140,241	2,140,472	2,130,371	10,101
Marketable and Investment Securities						
Held-to-maturity securities						
Debt securities........	¥1,874			1,874	1,913	(39)
Lease receivables and investments in leases .					3,135,877	
Residual values of investments in leases					(83,822)	
Allowance for doubtful receivables					(9,375)	
Subtotal		52,560	3,091,007	3,143,567	3,042,679	100,887
Long-term receivables...					87,005	
Allowance for doubtful receivables					(40,711)	
Subtotal			46,293	46,293	46,293	
Total	¥1,874	¥52,791	¥5,437,530	¥5,492,196	¥5,378,259	¥113,936

	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Bonds		¥2,375,869		¥2,375,869	¥2,378,147	¥(2,277)
Long-term loans from banks and other financial institutions...		4,438,859		4,438,859	4,441,024	(2,164)
Loans from the securitizations of the minimum future rentals on lease contracts		568,575		568,575	580,796	(12,220)
Total		¥7,338,305		¥7,338,305	¥7,399,968	¥(16,662)

	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)

	Thousands of U.S. dollars					
	Fair value					
March 31, 2025	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Receivables:						
Installment sales					**$1,109,136**	
Deferred profit on installment sales					**(47,105)**	
Allowance for doubtful receivables					**(8,332)**	
Subtotal			**$1,073,745**	**$1,073,745**	**1,053,698**	**$20,046**
Receivables:						
Loans					**14,419,699**	
Allowance for doubtful receivables					**(121,901)**	
Subtotal		**$1,552**	**14,364,038**	**14,365,590**	**14,297,797**	**67,792**
Marketable and Investment Securities						
Held-to-maturity securities						
Debt securities	**$12,579**			**12,579**	**12,843**	**(264)**
Lease receivables and investments in leases					**21,046,159**	
Residual values of investments in leases					**(562,568)**	
Allowance for doubtful receivables					**(62,920)**	
Subtotal		**352,755**	**20,745,014**	**21,097,769**	**20,420,670**	**677,098**
Long-term receivables					**583,927**	
Allowance for doubtful receivables					**(273,234)**	
Subtotal			**310,692**	**310,692**	**310,692**	
Total	**$12,579**	**$354,307**	**$36,493,490**	**$36,860,378**	**$36,095,703**	**$764,675**
Bonds		**$15,945,434**		**$15,945,434**	**$15,960,721**	**$(15,287)**
Long-term loans from banks and other financial institutions		**29,791,006**		**29,791,006**	**29,805,531**	**(14,525)**
Loans from the securitizations of the minimum future rentals on lease contracts		**3,815,944**		**3,815,944**	**3,897,962**	**(82,018)**
Total		**$49,552,384**		**$49,552,384**	**$49,664,216**	**$(111,831)**

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 are categorized as Level 1. Non-listed equity securities, whose fair values are calculated by significant unobservable inputs, are categorized as Level 3.

The fair values of debt securities with quoted market prices are measured at those prices. Government bonds and municipal bonds are categorized as Level 1, while 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 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 are 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.

Marketable and Investment Securities
The fair values of debt securities classified as held-to-maturity securities with quoted prices are measured at those prices. Government bonds and municipal bonds are categorized as Level 1, while other bonds are categorized as Level 2.

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 quoted market prices are measured by those prices. The fair values of other bonds without 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 securitization 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 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 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 value in the consolidated balance sheet and categorized as Level 3 is summarized below:

Quantitative information related to significant unobservable inputs

March 31, 2025	Valuation method	Significant unobservable inputs	Input range	Weighted average of input
Marketable and investment securities:				
Equity securities	Discounted present value method	Discount rate	2.04%	2.04%

In addition to the above, for certain unlisted equity securities held by the consolidated foreign subsidiaries that have 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 fluctuations in the estimated future cash flows can cause significant fluctuations in the stock values.

Information for others has been omitted as it is immaterial.

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

Information for others has been omitted as it is immaterial.

Reconciliation from the beginning balance to the ending balance

	Millions of yen		
	2025		
	Marketable and investment securities		
	Equity securities	Other	Total
Beginning balance................................	**¥22,340**	**¥1,077**	**¥23,417**
Income and other comprehensive income:			
Income (1)..	**219**	**(21)**	**197**
Other comprehensive income (2)........	**(2,196)**		**(2,196)**
Purchase, sales, and redemption:			
Purchase...	**4,457**		**4,457**
Sales and redemption.........................	**(14,585)**	**(630)**	**(15,215)**
Reclassified to Level 3			
Reclassified from Level 3			
Ending balance.....................................	**10,235**	**424**	**10,659**
Income on financial assets and liabilities held at end of year (1).......		**(21)**	**(21)**

	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

	Thousands of U.S. dollars		
	2025		
	Marketable and investment securities		
	Equity securities	Other	Total
Beginning balance	**$149,933**	**$7,229**	**$157,163**
Income and other comprehensive income:			
Income (1)	**1,470**	**(147)**	**1,323**
Other comprehensive income (2)	**(14,741)**		**(14,741)**
Purchase, sales, and redemption:			
Purchase	**29,917**		**29,917**
Sales and redemption	**(97,889)**	**(4,230)**	**(102,120)**
Reclassified to Level 3			
Reclassified from Level 3			
Ending balance	**68,692**	**2,851**	**71,543**
Income on financial assets and liabilities held at end of year (1)		**(147)**	**(147)**

Notes:

(1) Mainly included in “Revenues” for the year ended March 31, 2025, and “Other — net” for the year ended March 31, 2024, in the consolidated statements of income.

(2) Mainly included in “Net unrealized loss on available-for-sale securities” for the year ended March 31, 2025, and “Foreign currency translation adjustments” for the year ended March 31, 2024, in the consolidated statements of comprehensive income.

Details of fair value measurement

Measurement of fair value is controlled by the 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

Discount rate

Discount rate, a significant unobservable input, is an interest rate adjusted for market interest rate, mainly consists of risk premium that market participants demand as compensation for the uncertainty of cash flows of financial instruments arising from credit risk.

A significant increase (decrease) in discount rate will cause a significant decrease (increase) in the fair value of shares.

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
	2025	2024	**2025**
Nonmarketable equity securities (1):			
Shares of subsidiaries and associated companies	**¥235,858**	¥132,405	**$1,582,945**
Unlisted shares	**8,138**	9,734	**54,621**
Total	**¥243,997**	¥142,140	**$1,637,566**
Investments in partnership, etc. (2):			
Silent partnership interests and other	**¥252,569**	¥207,586	**$1,695,100**
Total	**¥252,569**	¥207,586	**$1,695,100**

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

March 31, 2025	Millions of yen: 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	**¥290,805**					
Time deposits other than cash equivalents	**20,657**					
Bank overdrafts	**1,936**					
Receivables						
Installment sales (1)	**55,990**	**¥41,773**	**¥30,119**	**¥19,199**	**¥10,383**	**¥7,794**
Loans	**939,143**	**389,530**	**295,510**	**200,717**	**149,933**	**173,699**
Lease receivables and investments in leases (2)	**994,729**	**803,804**	**605,591**	**428,313**	**271,463**	**625,093**
Investment securities						
Held to maturity securities with contractual maturities						
Debt securities						**1,913**
Available for sale securities with contractual maturities						
Debt securities	**2,644**	**2,476**	**2,911**	**1,872**	**1,997**	**11,477**
Other	**87**	**58,589**	**6,316**	**35,935**	**50,944**	**76,566**
Total	**¥2,305,996**	**¥1,296,174**	**¥940,448**	**¥686,037**	**¥484,721**	**¥896,545**

March 31, 2024	Millions of yen: 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

March 31, 2025	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
	Thousands of U.S. dollars					
Cash and cash equivalents	**$1,951,717**					
Time deposits other than cash equivalents	**138,638**					
Bank overdrafts	**12,996**					
Receivables						
Installment sales (1)	**375,777**	**$280,356**	**$202,142**	**$128,856**	**$69,688**	**$52,313**
Loans	**6,302,979**	**2,614,297**	**1,983,292**	**1,347,095**	**1,006,262**	**1,165,770**
Lease receivables and investments in leases (2)	**6,676,039**	**5,394,662**	**4,064,372**	**2,874,585**	**1,821,899**	**4,195,257**
Investment securities						
Held to maturity securities with contractual maturities						
Debt securities						**12,843**
Available for sale securities with contractual maturities						
Debt securities	**17,746**	**16,617**	**19,538**	**12,564**	**13,403**	**77,028**
Other	**589**	**393,221**	**42,390**	**241,176**	**341,912**	**513,867**
Total	**$15,476,485**	**$8,699,156**	**$6,311,737**	**$4,604,278**	**$3,253,167**	**$6,017,080**

(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, 2025 and 2024, were as follows:

	Millions of yen							
	2025				2024			
	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:								
Indonesia rupiah payment and Japanese yen receipt	**¥950**	**¥950**	**¥ (321)**	**¥ (321)**	¥950	¥950	¥(251)	¥(251)
Foreign exchange forward contracts:								
Buying U.S. dollars	**44**							
Selling Sterling pound					3,714		(822)	(822)
Buying Euro					32			
Buying Chinese yuan					6			
Interest rate swap contracts:								
Fixed-rate payment and floating-rate receipt	**4,645**	**4,535**	**(53)**	**(53)**	8,288	2,000	(176)	(176)

	Thousands of U.S. dollars			
	2025			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Currency interest rate swap contracts:				
Indonesia rupiah payment and Japanese yen receipt	**$ 6,375**	**$ 6,375**	**$ (2,159)**	**$ (2,159)**
Foreign exchange forward contracts:				
Buying U.S. dollars	**299**		**1**	**1**
Selling Sterling pound				
Buying Euro				
Buying Chinese yuan				
Interest rate swap contracts:				
Fixed-rate payment and floating-rate receipt	**31,179**	**30,440**	**(361)**	**(361)**

Derivative transactions to which hedge accounting is applied as of March 31, 2025 and 2024, were as follows:

	Hedged item	Millions of yen		
		2025		
		Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Indonesia rupiah payment and U.S. dollars receipt	Loans	**¥18,333**	**¥8,583**	**¥493**
Thai baht payment and U.S. dollars receipt	Loans	**9,740**	**1,009**	**(149)**
Sterling pound payment and U.S. dollars receipt	Bonds	**141,296**	**109,149**	**(6,024)**
Singapore dollars payment and U.S. dollars receipt	Loans	**3,027**	**767**	**3**
Indonesia rupiah payment and Japanese yen receipt	Loans	**2,900**	**2,300**	**(94)**
Sterling pound payment and Japanese yen receipt	Loans and bonds	**301,200**	**213,000**	**(35,947)**
Sterling pound payment and Euro receipt	Bonds	**334,695**	**251,224**	**(2,892)**
Sterling pound payment and Hong Kong dollars receipt	Bonds	**39,785**	**32,866**	**834**
Sterling pound payment and Australian dollars receipt	Bonds	**41,816**	**41,816**	**(3,251)**
Sterling pound payment and South Africa rand receipt	Bonds	**4,866**	**3,244**	**67**
Sterling pound payment and Chinese yuan receipt	Bonds	**4,323**		**(54)**
Sterling pound payment and Swiss francs receipt	Bonds	**2,550**		**(63)**
Sterling pound payment and New Zealand dollars receipt	Bonds	**2,557**	**2,557**	**(211)**
Cross-currency interest rate swap contracts:				
Euro payment and Thai baht receipt	Loans	**43**		
Foreign exchange forward contracts:				
Selling U.S. dollars	Forecast transaction	**16**		**5**
Buying Euro	Commercial paper	**30,307**	**1,041**	**(216)**
Buying U.S. dollars	Commercial paper, forecast transaction	**3,992**	**539**	**(95)**
Interest rate swap contracts:				
Floating-rate payment and fixed-rate receipt	Loans and bonds	**50,667**	**49,638**	**562**
Fixed-rate payment and floating-rate receipt	Loans and bonds	**1,952,071**	**1,526,900**	**24,935**
Interest rate swap contracts:				
Fixed-rate payment and floating-rate receipt	Loans	**71,481**	**56,348**	

	Hedged item	Millions of yen 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	¥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	

	Hedged item	Thousands of U.S. dollars 2025 Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Indonesia rupiah payment and U.S. dollars receipt	Loans	**$123,045**	**$57,604**	**$3,313**
Thai baht payment and U.S. dollars receipt	Loans	**65,370**	**6,778**	**(1,003)**
Sterling pound payment and U.S. dollars receipt	Bonds	**948,297**	**732,547**	**(40,433)**
Singapore dollars payment and U.S. dollars receipt	Loans	**20,317**	**5,152**	**24**
Indonesia rupiah payment and Japanese yen receipt	Loans	**19,463**	**15,436**	**(631)**
Sterling pound payment and Japanese yen receipt	Loans and bonds	**2,021,476**	**1,429,530**	**(241,255)**
Sterling pound payment and Euro receipt	Bonds	**2,246,276**	**1,686,067**	**(19,414)**
Sterling pound payment and Hong Kong dollars receipt	Bonds	**267,016**	**220,578**	**5,602**
Sterling pound payment and Australian dollars receipt	Bonds	**280,648**	**280,648**	**(21,820)**
Sterling pound payment and South Africa rand receipt	Bonds	**32,657**	**21,771**	**452**
Sterling pound payment and Chinese yuan receipt	Bonds	**29,019**		**(366)**
Sterling pound payment and Swiss francs receipt	Bonds	**17,118**		**(425)**
Sterling pound payment and New Zealand dollars receipt	Bonds	**17,166**	**17,166**	**(1,419)**
Cross-currency interest rate swap contracts:				
Euro payment and Thai baht receipt	Loans	**290**		
Foreign exchange forward contracts:				
Selling U.S. dollars	Forecast transaction	**111**		**40**
Buying Euro	Commercial paper	**203,408**	**6,991**	**(1,450)**
Buying U.S. dollars	Commercial paper, forecast transaction	**26,797**	**3,622**	**(641)**
Interest rate swap contracts:				
Floating-rate payment and fixed-rate receipt	Loans and bonds	**340,053**	**333,147**	**3,776**
Fixed-rate payment and floating-rate receipt	Loans and bonds	**13,101,150**	**10,247,651**	**167,355**
Interest rate swap contracts:				
Fixed-rate payment and floating-rate receipt	Loans	**479,739**	**378,176**	

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, 2025 and 2024, 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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Net unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	**¥6,616**	¥8,754	**$44,403**
Reclassification adjustments to profit	**(15,330)**	(8,551)	**(102,887)**
Amount before income tax effect	**(8,714)**	203	**(58,483)**
Income tax effect	**1,336**	(62)	**8,968**
Total	**(7,377)**	140	**(49,515)**
Deferred loss on derivatives under hedge accounting:			
Gains arising during the year	**9,151**	12,356	**61,419**
Reclassification adjustments to profit	**(18,786)**	(36,011)	**(126,082)**
Amount before income tax effect	**(9,634)**	(23,654)	**(64,662)**
Income tax effect	**2,118**	5,170	**14,214**
Total	**(7,516)**	(18,484)	**(50,447)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**40,139**	104,217	**269,390**
Reclassification adjustments	**(523)**		**(3,513)**
Amount before income tax effect	**39,615**	104,217	**265,876**
Income tax effect			
Total	**39,615**	104,217	**265,876**
Defined retirement benefit plans:			
Adjustments arising during the year	**7,391**	7,392	**49,606**
Reclassification adjustments to profit	**(1,285)**	(150)	**(8,625)**
Amount before income tax effect	**6,106**	7,242	**40,980**
Income tax effect	**(1,964)**	(2,249)	**(13,181)**
Total	**4,142**	4,992	**27,799**
Share of other comprehensive (loss) income in associates:			
Gains arising during the year	**734**	6,521	**4,927**
Reclassification adjustments to profit	**(4,663)**	(1,828)	**(31,295)**
Total	**(3,928)**	4,692	**(26,368)**
Total other comprehensive income	**¥24,934**	¥95,558	**$167,344**

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

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, 2024, is presented under the new segment name.

The Company plan to change the reportable segment name "Global Business" to "Global Customer", effective April 1, 2025.

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, 2025	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Revenue from external customers	**¥968,851**	**¥494,084**	**¥45.954**	**¥321,863**	**¥136,150**	**¥116,735**	**¥5,609**
Intersegment revenue or transfers	**1,603**	**96**	**4**			**10**	
Total	**970,455**	**494,181**	**45,958**	**321,863**	**136,150**	**116,745**	**5,609**
Segment profit	**36,887**	**2,671**	**4,766**	**47,208**	**23,213**	**12,215**	**3,100**
Segment assets (3)	**3,004,569**	**3,074,970**	**486,366**	**2,448,114**	**1,289,344**	**570,575**	**58,869**
Other items:							
Depreciation	**79,857**	**111,269**	**17,594**	**118,808**	**53,486**	**3,056**	**2,110**
Amortization of goodwill		**956**		**4,480**	**2,435**	**660**	**73**
Cost of funds and interest expense	**17,115**	**130,337**	**8,980**	**94,195**	**32,098**	**5,412**	**1,223**
Equity in earnings of affiliates	**1,380**	**491**	**171**	**1,208**	**234**	**(183)**	**3,895**
Other income	**7,097**	**163**	**14,051**	**2,566**		**572**	
Gain on sales of investment securities	**2,420**	**163**	**12,952**	**2,566**			
Gain on sales of shares of subsidiaries and affiliates	**4,677**		**1,099**				
Gain from bargain purchase						**572**	
Other expenses	**208**	**818**	**301**	**172**		**20,816**	
Loss on sales of investment securities	**122**	**5**					
Loss on revaluation of investment securities		**9**	**301**	**172**			
Loss on sales of shares of subsidiaries and affiliates						**20,699**	
Loss on revaluation of shares of subsidiaries and affiliates	**86**	**803**				**116**	
Taxes	**15,269**	**2,775**	**1,620**	**18,156**	**7,775**	**14,096**	**(364)**
Investments in equity method affiliates	**18,399**	**8,503**	**196,248**	**5,805**	**2,302**	**14,234**	**33,768**
Increase in property, equipment and intangible assets	**68,293**	**244,932**	**23,407**	**455,340**	**184,724**	**73,533**	**5,639**

	Millions of yen	
Year Ended March 31, 2025	Adjustments (1)	Consolidated (2)
Revenues:		
Revenue from external customers	**¥1,558**	**¥2,090,808**
Intersegment revenue or transfers	**(1,715)**	
Total	**(156)**	**2,090,808**
Segment profit	**5,102**	**135,165**
Segment assets (3)	**829,522**	**11,762,332**
Other items:		
Depreciation	**126**	**386,311**
Amortization of goodwill	**2,117**	**10,723**
Cost of funds and interest expense	**(16,676)**	**272,686**
Equity in earnings of affiliates		**7,199**
Other income	**1**	**24,452**
Gain on sales of investment securities	**1**	**18,103**
Gain on sales of shares of subsidiaries and affiliates		**5,776**
Gain from bargain purchase		**572**
Other expenses	**43**	**22,361**
Loss on sales of investment securities		**127**
Loss on valuation of investment securities	**43**	**527**
Loss on sales of shares of subsidiaries and affiliates		**20,699**
Loss on revaluation of shares of subsidiaries and affiliates		**1,006**
Taxes	**715**	**60,044**
Investments in equity method affiliates		**279,263**
Increase in property, equipment and intangible assets	**8,313**	**1,064,185**

Year Ended March 31, 2024	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
	Millions of yen						
	Reportable segment						
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, 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, equipment and intangible assets	4,126	888,915

Year Ended March 31, 2025	Thousands of U.S. dollars — Reportable segment: Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Revenue from external customers	**$6,502,361**	**$3,316,003**	**$308,419**	**$2,160,156**	**$913,760**	**$783,456**	**$37,649**
Intersegment revenue or transfers	**10,763**	**650**	**28**			**69**	
Total	**6,513,125**	**3,316,654**	**308,447**	**2,160,156**	**913,760**	**783,526**	**37,649**
Segment profit	**247,569**	**17,929**	**31,987**	**316,833**	**155,792**	**81,981**	**20,811**
Segment assets (3)	**20,164,893**	**20,637,383**	**3,264,207**	**16,430,297**	**8,653,318**	**3,829,364**	**395,095**
Other items:							
Depreciation	**535,955**	**746,772**	**118,087**	**797,375**	**358,971**	**20,513**	**14,166**
Amortization of goodwill		**6,417**		**30,070**	**16,347**	**4,432**	**492**
Cost of funds and interest expense	**114,867**	**874,750**	**60,270**	**632,181**	**215,428**	**36,322**	**8,213**
Equity in earnings of affiliates	**9,267**	**3,299**	**1,152**	**8,110**	**1,573**	**(1,228)**	**26,143**
Other income	**47,636**	**1,095**	**94,305**	**17,225**		**3,840**	
Gain on sales of investment securities	**16,245**	**1,095**	**86,926**	**17,225**			
Gain on sales of shares of subsidiaries and affiliates	**31,390**		**7,378**				
Gain from bargain purchase						**3,840**	
Other expenses	**1,399**	**5,491**	**2,024**	**1,160**		**139,708**	
Loss on sales of investment securities	**821**	**34**					
Loss on valuation of investment securities		**62**	**2,024**	**1,160**			
Loss on sales of shares of subsidiaries and affiliates						**138,926**	
Loss on revaluation of shares of subsidiaries and affiliates	**578**	**5,393**				**782**	
Taxes	**102,481**	**18,625**	**10,877**	**121,852**	**52,184**	**94,604**	**(2,447)**
Investments in equity method affiliates	**123,488**	**57,072**	**1,317,104**	**38,966**	**15,451**	**95,534**	**226,631**
Increase in property, equipment and intangible assets	**458,345**	**1,643,844**	**157,097**	**3,055,974**	**1,239,764**	**493,513**	**37,850**

Year Ended March 31, 2025	Thousands of U.S. dollars Reportable segment Adjustments (1)	Consolidated (2)
Revenues:		
Revenue from external customers	**$10,460**	**$14,032,268**
Intersegment revenue or transfers	**(11,512)**	
Total	**(1,052)**	**14,032,268**
Segment profit	**34,245**	**907,151**
Segment assets (3)	**5,567,268**	**78,941,828**
Other items:		
Depreciation	**850**	**2,592,691**
Amortization of goodwill	**14,210**	**71,969**
Cost of funds and interest expense	**(111,921)**	**1,830,112**
Equity in earnings of affiliates		**48,319**
Other income	**8**	**164,111**
Gain on sales of investment securities	**8**	**121,502**
Gain on sales of shares of subsidiaries and affiliates		**38,768**
Gain from bargain purchase		**3,840**
Other expenses	**293**	**150,077**
Loss on sales of investment securities	**1**	**858**
Loss on valuation of investment securities	**291**	**3,539**
Loss on sales of shares of subsidiaries and affiliates		**138,926**
Loss on revaluation of shares of subsidiaries and affiliates		**6,754**
Taxes	**4,804**	**402,982**
Investments in equity method affiliates		**1,874,249**
Increase in property, equipment and intangible assets	**55,794**	**7,142,184**

Notes:

(1) "Adjustments" in revenues contain adjustments of ¥(686) million ($(4,609) thousand) and ¥(1,541) million for the years ended March 31, 2025 and 2024, 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 ¥ 403 million ($2,710 thousand) and ¥1,387 million for the years ended March 31, 2025 and 2024, 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 ¥2,842 million ($19,078 thousand) and ¥29,016 million, as of March 31, 2025 and 2024, respectively. The total of such assets and the segment assets, which attributed to each reportable segment, was ¥10,935,652 million ($73,393,639 thousand) and ¥10,179,473 million, as of March 31, 2025 and 2024, 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 ¥826,680 million ($5,548,189 thousand) and ¥970,385 million, as of March 31, 2025 and 2024, 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) The fiscal period of JSA Group has been changed to March 31 from the year ended March 31, 2025, and the effect of the change has been adjusted through the consolidated statement of income. The effect of this change of the fiscal period on segment profit was ¥9,437 million ($63,342 thousand), including ¥6,061 million ($40,683 thousand) in "Aviation" and ¥3,376 million ($22,658 thousand) in "Adjustments," which represents adjustments related to financing transactions between consolidated companies in relation to the change of the fiscal period.

4. Information about products and services

	Millions of yen				
	2025				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥1,715,579**	**¥64,521**	**¥150,757**	**¥159,949**	**¥2,090,808**

	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

	Thousands of U.S. dollars				
	2025				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$11,513,953**	**$433,032**	**$1,011,798**	**$1,073,484**	**$14,032,268**

5. Information about geographical areas

(1) Revenues

Millions of yen						
2025						
		Europe/ Middle and Near East				
Japan	North America	United Kingdom	Other	Asia/Oceania	Other	Total
¥1,134,042	**¥242,214**	**¥282,194**	**¥250,231**	**¥152,571**	**¥29,554**	**¥2,090,808**

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

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.

Thousands of U.S. dollars						
2025						
		Europe/ Middle and Near East				
Japan	North America	United Kingdom	Other	Asia/Oceania	Other	Total
$7,611,021	**$1,625,598**	**$1,893,924**	**$1,679,403**	**$1,023,968**	**$198,353**	**$14,032,268**

(2) Property and equipment

Millions of yen							
2025							
	North America		Europe/ Middle and Near East				
Japan	United States	Other	United Kingdom	Other	Asia/Oceania	Other	Total
¥864,075	**¥845,809**	**¥218,323**	**¥460,593**	**¥1,315,118**	**¥846,396**	**¥221,211**	**¥4,771,529**

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

Thousands of U.S. dollars							
2025							
	North America		Europe/ Middle and Near East				
Japan	United States	Other	United Kingdom	Other	Asia/Oceania	Other	Total
$5,799,164	**$5,676,575**	**$1,465,259**	**$3,091,233**	**$8,826,299**	**$5,680,514**	**$1,484,638**	**$32,023,686**

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

	Millions of yen						
	2025						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Impairment loss................			**¥4,003**	**¥4,593**			

	Millions of yen	
	2025	
	Adjustments	Consolidated
Impairment loss................		**¥8,596**

	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

	Thousands of U.S. dollars						
	2025						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Impairment loss................			**$26,866**	**$30,830**			

	Thousands of U.S. dollars	
	2025	
	Adjustments	Consolidated
Impairment loss................		**$57,696**

For the years ended March 31, 2025 and 2024, the amounts reported in “Environment & Energy” are recorded in costs as impairment loss of other operating assets. The amounts reported in “Aviation” are recorded in costs as impairment loss of leased assets and investments and other assets - other for the year ended March 31, 2025, and as impairment loss of leased assets for the year ended March 31, 2024, respectively.

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

	Millions of yen						
	2025						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Amortization of goodwill...		¥956		¥4,480	¥2,435	¥660	¥73
Unamortized balance of goodwill..........................		12,976		28,192	40,577	12,052	673

	Millions of yen	
	2025	
	Adjustments (1)	Consolidated
Amortization of goodwill...	¥2,117	¥10,723
Unamortized balance of goodwill..........................	4,234	98,706

	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

	Thousands of U.S. dollars						
	2025						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real Estate	Mobility
Amortization of goodwill...		$6,417		$30,070	$16,347	$4,432	$492
Unamortized balance of goodwill..........................		87,090		189,210	272,330	80,886	4,520

	Thousands of U.S. dollars	
	2025	
	Adjustments (1)	Consolidated
Amortization of goodwill...	$14,210	$71,969
Unamortized balance of goodwill..........................	28,421	662,460

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

Gain from bargain purchase of ¥572 million ($3,840 thousand) was recorded as other income (expenses) on the consolidated statement of income for the year ended March 31, 2025, as a result of the additional investment in Soka Logistics to make Soka Logistics a consolidated subsidiary.

No gain from bargain purchase was recorded for the year ended March 31, 2024.

30. Net Income per Share

Reconciliation of the differences between basic and diluted net earnings per share ("EPS") for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2025	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥135,165**	**1,434,994**	**¥94.19**	**$0.63**
Effect of dilutive securities:				
Warrants		**3,221**		
Diluted EPS:				
Net income for computation	**¥135,165**	**1,438,215**	**¥93.98**	**$0.63**

	Millions of yen	Thousands of shares	Yen
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
Effect of dilutive securities:			
Warrants		3,966	
Diluted EPS:			
Net income for computation	¥123,842	1,439,036	¥86.06

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

On May 21, 2025, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥20.00 ($0.13) per share	**¥28,761**	**$193,032**

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www2.deloitte.com/jp/en

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, 2025 and 2024, 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, 2025 and 2024, 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.

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:

Impairment judgment on the aircraft held as leased assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
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 ¥1,524,304 million were recorded as leased assets in the consolidated balance sheet as of March 31, 2025. 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 ¥3,751 million of the impairment loss which was included in costs in the consolidated statement of income for the year ended March 31, 2025.	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 director in charge of the Aviation Division 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.

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 ¥70,147 million of an allowance for doubtful receivables in the consolidated balance sheet as of March 31, 2025. The allowance for doubtful receivables was mainly related to ¥165,261 million of receivables-installment sales, ¥3,135,877 million of lease receivables and investments in leases, ¥1,922,390 million of receivables-loans, and ¥87,005 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 of the Company's receivables 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: ✓ Inquired of the personnel in the credit management department regarding the business condition of the counterparties ✓ Inspected the credit information such as payment history ✓ Evaluated the competence and objectivity of real estate valuation experts used by management ✓ Tested the appropriateness of the valuation method used to calculate the appraisal value, and adequacy of assumptions and data for key inputs such as rents, vacancy rate and discount rate, with the assistance of our real estate valuation specialists ✓ Inspected the management's assessment for the realizability of the counterparty's business plan, inquired of the personnel in the credit management department and reconciled 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 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 network firm's 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 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 audits 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 years ended March 31, 2025 and 2024, which were charged by us and our network firms to Mitsubishi HC Capital Inc. and its subsidiaries were ¥1,763 million and ¥252 million, and ¥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, 2025

MITSUBISHI HC CAPITAL Inc.