FINANCIAL INFORMATION

2021

For the year ended March 31, 2021

MITSUBISHI HC CAPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Effective April 1, 2021, Mitsubishi UFJ Lease & Finance Company Limited (Mitsubishi UFJ Lease & Finance) changed its trade name to Mitsubishi HC Capital Inc. following the business integration through merger with Hitachi Capital Corporation (Hitachi Capital).

The business results presented below for the fiscal year ended March 31, 2021 are those of the former Mitsubishi UFJ Lease & Finance.

Business Results

Based on the medium-term management plan **~Sustainable Growth 2030~** launched in March 2020, the Group (the former Mitsubishi UFJ Lease & Finance Group) moved steadily forward with a range of strategies to strengthen its operating base for the future with the aim of becoming an asset-business platform company. These initiatives concentrated on its three focus areas: global assets, social infrastructure, and renewable energy.

The business results of the Group, impacted particularly by the COVID-19 pandemic, were as detailed below.

In the fiscal year ended March 31, 2021, results were impacted notably by the pandemic, with reduced levels of business and restrictions on sales activity. On the sales front, this was reflected in a decreased volume of new transactions, which fell by ¥535.4 billion or 34.8% from the previous fiscal year to ¥1,003.2 billion. It should be noted that, starting from the fiscal year under review, factoring transactions, most of which are short term, are no longer counted in the volume of new transactions. These and other changes have been applied retroactively to the figures presented for the previous fiscal year. As a result, the figure for the volume of new transactions for the previous fiscal year was lowered by ¥343.0 billion in comparison with the period before the retroactive application.

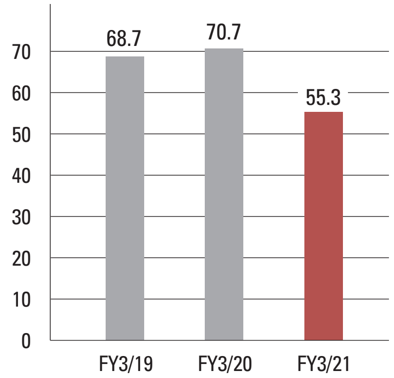
Revenues declined by ¥29.4 billion or 3.2% year on year to ¥894.3 billion. Among the main factors were the impact of the deconsolidation of a domestic subsidiary on the Customer Business and reduced lease revenues in the Aviation Business.

On the profit front, although sales gains increased in the Real Estate Business, reduced earnings in the Aviation Business were the main factor determining a year-on-year fall of ¥21.3 billion or 11.8% in gross profit to ¥160.5 billion.

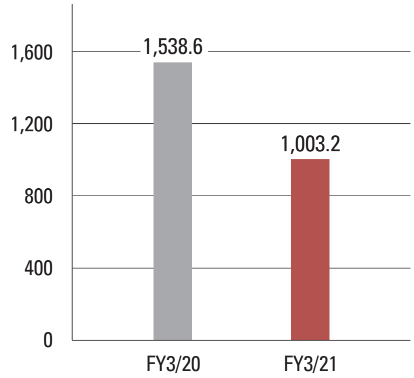
Operating income decreased by ¥29.4 billion or 32.1% to ¥62.4 billion. Performance here was impacted notably by increased credit costs in the Aviation Business and, mainly overseas, in the Customer Business, and by increased expenses for the business integration with Hitachi Capital.

Net income attributable to owners of the parent declined by ¥15.4 billion or 21.8% to ¥55.3 billion despite the recording of extraordinary income items—an increase in sales gains on investment securities held

Net Income Attributable to Owners of the Parent (¥ Billion)



Volume of New Transactions (¥ Billion)



for strategic purposes and compensation received in association with a redevelopment project.

In light of the business division system introduced in the previous Medium-term Management Plan, the Group has launched an initiative whereby each Customer Business and business division develops its own management plan and implements a PDCA cycle, and has set up a system to use financial information based on these units to evolve strategies; accordingly, we have made changes to reportable segments, etc.

As a result, effective April 1, 2020, the reportable segments have been changed from the two segments of "Customer Finance Business" and "Asset Finance Business" to the seven segments of "Customer Business," "Environment & Energy," "Healthcare," "Real Estate," "Aviation," "Logistics," and "Infrastructure & Investment," and segment profit has been changed from operating income to net income attributable to owners of the parent.

Operating results by reportable segment are presented below.

In the Customer Business, although overseas credit costs increased, segment profit grew by ¥8.6 billion or 51.6% year on year to ¥25.5 billion. The increase was due to gains on sales of shares held for strategic purposes and own-used assets.

In the Environment & Energy Business, despite the downward rebalancing following the sales gain recorded in the previous fiscal year, segment profit grew year on year by ¥0.3 billion or 11.4% to ¥3.7 billion, partly due to growth in electricity sales revenue.

In the Healthcare Business, increased investment profit from healthcare funds helped the segment to achieve a slight year-on-year increase in segment profit to ¥0.7 billion.

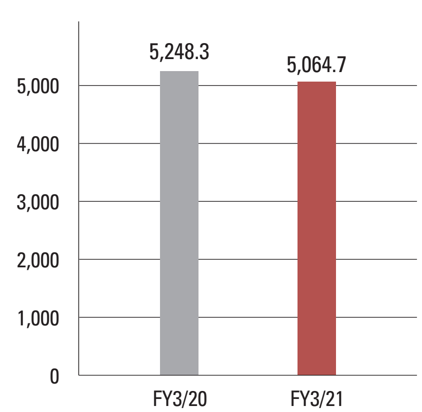
The Real Estate Business posted a year-on-year increase of ¥3.1 billion or 12.6% in segment profit to ¥28.0 billion on factors including an increased sales gain and compensation received in association with a redevelopment project.

In the Aviation Business, segment profit dropped by ¥22.1 billion or 88.7% year on year to ¥2.8 billion. The main causes of the decrease were a decline in lease revenues due to bankruptcies among airline companies and other factors, higher credit costs, and lower sales gain due to reduced secondary market liquidity.

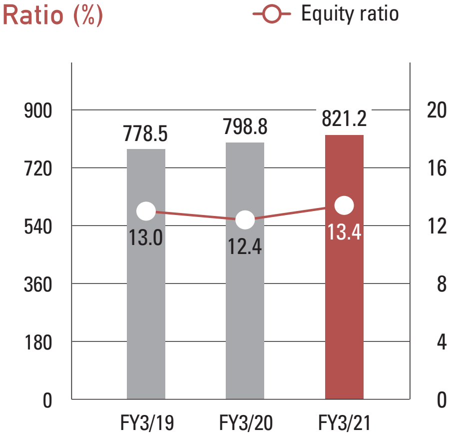
The Logistics Business saw segment profit increase by ¥0.8 billion or 91.7% year on year to ¥1.8 billion. The increase was driven by the improved operating rate of marine containers and other factors, which outweighed the reduced revenues from railway freight cars due to deterioration in market conditions.

The Infrastructure & Investment Business recorded a year-on-year decrease of ¥0.3 billion or 56.4% in segment profit to ¥0.3 billion. Although revenues rose with the increasing number of investment projects, profits fell overall, a major factor being the decrease in equity-method investment earnings from certain investees,

Operating Assets (¥ Billion)



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



MANAGEMENT'S DISCUSSION AND ANALYSIS

mainly due to the impact of the pandemic.

An adjustment of ¥7.7 billion to segment profit was recorded, compared to the previous year's adjustment of ¥1.6 billion. This reflected increases in expenses for the business integration of Hitachi Capital and in expenses related to funding.

Financial Position

As of March 31, 2021, total assets showed a decrease from the previous fiscal year-end, mainly due to a reduction in cash and cash equivalents, falling by ¥276.1 billion or 4.4% to stand at ¥6,009.8 billion. Total equity stood at ¥821.2 billion, having risen by ¥22.4 billion or 2.8% from the previous fiscal year-end due to factors including the contribution from net income attributable to owners of the parent. The equity ratio moved up by 1.0 percentage point to 13.4%. Interest-bearing debt fell by ¥295.7 billion to ¥4,634.9 billion.

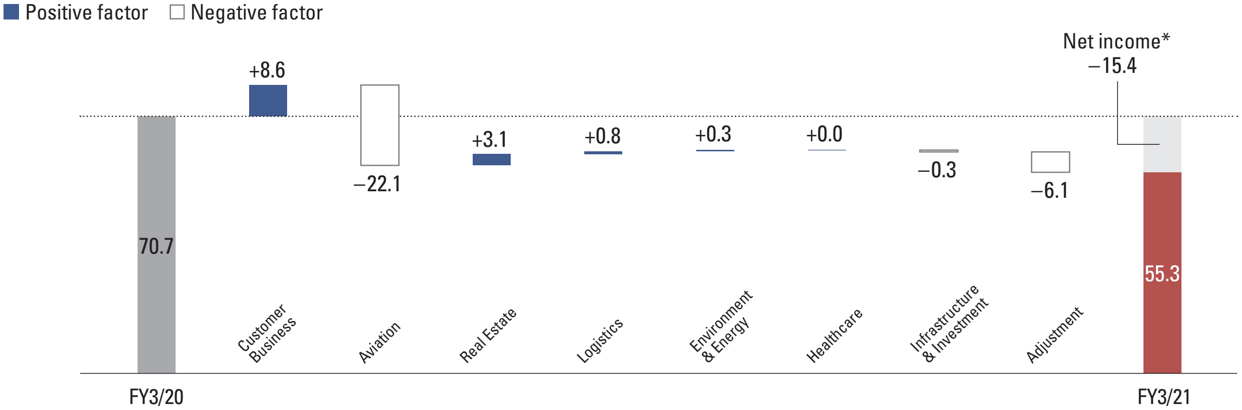
Operating activities provided net cash of ¥199.3 billion compared to net cash used of ¥252.1 billion in the previous fiscal year. Here, inflows of ¥83.2 billion in income before income taxes, ¥45.7 billion in loss on disposals and sales of leased assets, ¥151.8 billion in depreciation and amortization, and ¥9.8 billion in provision of allowance for doubtful receivables were set against outflows including ¥185.9 billion for purchases of leased assets, ¥32.7 billion for purchases of other operating assets, and ¥17.2 billion for increase in operating securities and investments in private equity securities.

Investing activities provided net cash of ¥1.2 billion compared to ¥32.9 billion used in the previous period. Outflows of ¥55.5 billion in payments into time deposits and ¥15.6 billion in purchases of investment securities and other expenditures were offset by inflows including ¥54.2 billion in proceeds from withdrawal of time deposits, ¥14.6 billion in proceeds from sales and redemption of investment securities, and ¥3.2 billion in proceeds from sales of own-used assets.

Financing activities used net cash of ¥372.8 billion compared to net cash provided of ¥552.3 billion in the previous fiscal year. Net outflows of ¥307.1 billion for direct funding and ¥36.1 billion for bank loans and other forms of indirect funding were set against items including ¥22.5 billion in cash dividends paid.

As a result of these movements, cash and cash equivalents as of March 31, 2021, stood at ¥286.2 billion, a decrease of ¥169.3 billion or 37.1% from the previous fiscal year-end. The decrease was accounted for by increases in funds of ¥199.3 billion from operating activities and ¥1.2 billion from investing activities being set against funds of ¥372.8 billion used in financing activities.

Increase/Decrease in Net Income* (FY3/2021) (¥ Billion)



* Net income attributable to owners of the parent

BUSINESS AND RELATED RISKS

Of the business and related risks of the Mitsubishi HC Capital Group, the main items with potential for important impact on investors' decisions are managed comprehensively in the framework set out below under 1. Integrated Risk Management. An outline of the risk and a specific statement of the main efforts to address it are given under 2. Major Risks Managed within Framework of Integrated Risk Management. The Group has established an appropriate system to manage these risks and strives to prevent them from emerging or to minimize their impact if they occur.

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

The forward-looking statements herein are based on judgments made by the Group as of March 31, 2021.

* Reorganized to become the Management Meeting following the business integration of April 1, 2021.

01 Integrated Risk Management

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

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

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

02 Major Risks Managed within Framework of Integrated Risk Management

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

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

BUSINESS AND RELATED RISKS

(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 of a company's credit status, which could impact the Group's business results and financial position. Furthermore, because the Group is engaged in business globally, it is subject to country risk in which losses may arise depending on the political and economic situations in the countries and territories where customers and investees are located.

Main Efforts to Address Risk

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

(2) Asset Risk

In addition to general movable property, the Mitsubishi HC Capital Group holds such global assets as aircraft and real estate, including buildings, and conducts a business leasing these assets in and outside Japan in the form of operating leases and others. In this business, the Group is exposed to asset risk in addition to the aforementioned credit risk, so fluctuation in revenue from asset management and disposal 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.

(i) Global Assets

The Group holds global assets such as aircraft and aircraft engines, ships, 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, or geopolitical risk may cause the asset selling price to fluctuate. Furthermore, recording an impairment loss or increased costs associated with property management could 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 investment criteria to maintain a portfolio with risk diversification taken into account, including applicable models, regions, and time of expiration. Moreover, the Group continues to check the customer's credit standing and industry trends on an ongoing basis even after entering into business relations and has a system in place to take the necessary steps in the event that the customer's credit standing worsens, such as collecting a deposit from the customer to cover asset wear and tear as necessary. Additionally, the Group regularly holds warning sign management meetings at business divisions and risk management divisions for each major asset category to review applicable industry trends and signs of problems that could impact asset value fluctuation. The Group also regularly measures customer credit risk and the risk of fluctuations in the value of assets in its portfolio to monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

(ii) Real Estate

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

Main Efforts to Address Risk

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

(3) Investment Risk

The Mitsubishi HC Capital Group is engaged in investment in and financing of projects such as solar power generation and other renewable energy businesses and an overseas infrastructure business as well as various business investing activities, 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 or create the necessity of additional funding. In addition, there are the risk that the Group may be unable to exit or restructure the business at the desired time or using the desired method due to differences with the partner's management policy or low liquidity of the investment asset and the risk that the Group may be disadvantaged by not being able to obtain relevant information from the investee, and these risks could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group holds investment meetings according to the individual investment amounts and severity of risk to gather the opinions of the relevant departments and makes a careful decision based on a comprehensive review of future investment value and liquidity from a broad point of view when considering each investment, thereby endeavoring to ensure a reasonable return for the investment value fluctuation 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.

BUSINESS AND RELATED RISKS

(4) Market Risk

(i) 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. Acquisition funds for the leased property, on the other hand, are procured at both fixed and variable interest rates for fundraising diversification and reduction of funding costs, and the cost of capital is affected by fluctuations in the market interest rate. 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.

(ii) Exchange Rate Fluctuation Risk

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

Main Efforts to Address Risk

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

(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, checking the status to ensure that the immediately necessary funds can be secured, including funds for repayment, even if the fundraising environment deteriorates, and reporting to the ALM Committee.

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

Meanwhile, to support the globalization of its business over recent years and also to increase its ability to procure foreign currency, the Group is progressing with the reorganization of its regional financial bases. As part of this, it has decided to staff the New York-based local subsidiary that had fulfilled certain corporate functions in North America and to equip it with financial functions to enable it to act as a regional finance base, thus establishing a Group financing system in North America. The base will offer not only indirect financing but also various forms of fund procurement, including issue of commercial paper and medium-term notes, thus providing funds to Group companies expanding into North America. By also reinforcing its ability to monitor the financial situation, it will promote sharing of knowledge and information within the Group. In this way, the Group is working to put in place an optimal operational support system in North America.

(6) 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 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.

(7) Operational Risk

(i) Risk Related to Earthquakes, Wind and Flood Damage, Pandemics, 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, 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.

(ii) System Risk

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

Main Efforts to Address Risk

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

(iii) Cybersecurity Risk and Information Security Risk

The Group utilizes e-mail as well as a variety of information systems to conduct account processing, management of various contracts, customer management, asset management of leased properties, and other operations. These information systems are subject to risk of business e-mail scams, computer virus infections, unauthorized access by outside parties, and other cyberattacks. Unauthorized access by outside parties, computer virus 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 Computer Security Incident Response Team (MUL-CSIRT) 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, computer viruses, and other cyberattacks and maintains management preparedness to prevent problems. At the same time, the Group has established an internal and external coordination system and conducts drills to prepare for incidents. Moreover, targeted e-mail training is provided for all employees, and internal education on information security is carried out on an ongoing basis.

(iv) Compliance Risk

The Group's operations are subject to a range of relevant legislation in and outside Japan. As the primary examples, in Japan its operations must comply with the Companies Act, tax laws, the Financial Instruments and Exchange Act, the Anti-Monopoly Act, the Personal Information Protection Act, the Money Lending Business Act, the Installment Sales Act, the Act on Prevention of Transfer of Criminal Proceeds, and laws and regulations related to the environment. Outside Japan, the Group's operations are subject to the legislation of each country and region as well as to oversight by regulatory authorities. Should there be a failure of compliance with legislation, 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

In addition to rigorous compliance with legislation and company rules, the Group makes it a practice to carry out operations in accordance with high ethical standards and social norms. The Group provides continuing training on compliance and takes measures to prevent money laundering, funding of terrorism, and fraud in an effort to further strengthen its compliance system.

(v) 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, area companies, 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.

(vi) Administrative Risk

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

Main Efforts to Address Risk

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

03 Other Major Risks

As described in "2. Major Risks Managed within Framework of Integrated Risk Management," the Mitsubishi HC Capital Group manages reasonably envisioned risks within an integrated risk management framework. The Group also recognizes major risks that exceed the scope of reasonable assumptions or are difficult to reasonably envision as below. If the Group recognizes the possibility of such a risk emerging, it analyzes the status and outlook of the risk, the impact on each risk managed within the integrated risk management framework, and combined impact on multiple risks, and establishes a response policy. In addition, the Group carries out stress tests envisioning new or multiple scenarios as necessary and performs a multifaceted verification of risk resilience.

(1) Global Pandemic Risk

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

To create a global response system, the Group set up a Crisis Management Headquarters in February 2020 and put in place a business continuity system. Aware that we are currently in the pandemic phase of COVID-19, the Group continues to implement preventive measures against infection. At the same time, however, it is ensuring continued progress with new initiatives by utilizing IT tools to strengthen internal and external communication, evolving its business style, and taking other relevant steps.

Impact of the COVID-19 Pandemic

COVID-19 made its appearance early in 2020 and spread rapidly worldwide, bringing restrictions on human movement and measures limiting the operation of stores and other businesses, which together caused a sharp slowdown in the world economy. While the subsequent vaccination programs and other anti-pandemic measures are allowing economic activity to recover in some countries, uncertain factors such as the development of virus variants and the future rollout and efficacy of the vaccines mean that the end of the pandemic is not yet in sight, and some level of impact is envisioned to persist for the time being.

In terms of the impact of the pandemic on the Group's business, the stagnation of global economic activity has resulted in customer capital investment being limited, scaled down, postponed or otherwise affected in ways that could prevent the Group's operating assets from achieving the planned expansion or cause them to decrease, leading to a decline in revenue. Additionally, the deterioration of customer credit status and the resulting increase in non-performing loans could necessitate additional provisions of allowance for doubtful receivables. The resulting impacts are most likely to affect countries and regions where the pandemic situation is serious, as well as specific industries such as the service and retail industries and particularly the aviation, travel, and food service sectors.

Moreover, these impacts could affect the assets held as operating assets by the Group through price falls, reduced operating rates for leases and similar assets, and price falls in shares or similar assets. Such impacts are most likely to affect certain asset categories such as aircraft and aircraft engines and certain types of real estate such as hotels, as well as specific countries and regions heavily impacted by the pandemic and the shares or other assets of severely affected industry sectors.

Meanwhile, if a financial crisis emerges while the impact of the COVID-19 pandemic persists, it could become impossible to procure funds as planned. However, no such situation has yet arisen. This is thanks, among other factors, to the Group's measures to ensure reliable on-hand liquidity and to the smooth supply of funds to the market provided by the central banks of the various countries and regions.

It should be noted that the restriction of human movement and other measures could also limit the business activities of the Mitsubishi HC Capital Group. In response, the Group is taking steps to adapt its internal project activities to pandemic and post-pandemic conditions. In addition to putting in place appropriate measures to prevent infection and revising operational procedures, this means that the Group is utilizing IT tools and strengthening information security to enhance the provision of systems that enable business operations to function smoothly on a remote basis.

(2) Climate Change Risk

Should climate change occur that has a major impact on society, the scale and frequency of natural disasters would increase. If the Mitsubishi HC Capital Group and its customers were unable to adapt to the regulatory changes, technical innovation, or a shift in business models for preventing the negative effects of climate change, or if the business model or business infrastructure and tools changed dramatically resulting in customer bankruptcy due to a drop in performance or loss of assets or a drop in the value of assets held by the Group or loss of property, it could impact the Group's business results and financial position.

(3) Risk Associated with Expansion of Business Domains

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

(4) Intensifying Competition

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

(5) 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.

(6) Risk Related to Labor and Employment Management

The Group employs a large number of staff in its business operations. This involves the risk of long working hours having a negative effect on the mental or physical health of employees or other negative impacts, making them unable to fulfill the expected duties, and the risk of legal infringement due to failure to appropriately monitor legal requirements relating to employment and related areas. Additionally, there is the possibility of these risks resulting in damage to public trust.

To lessen the abovementioned risks, the Group promotes projects aimed at improved productivity and introduces systems to enable diverse workstyles (teleworking, flextime, etc.). In this way, it works not only to reduce long working hours but also to put in place a work environment that accommodates employees with childcare or nursing care responsibilities. Additionally, to address harassment and other personnel issues, the Group has introduced measures for employees in Japan and overseas, including internal whistleblowing systems and advice services. To enable employees to develop their abilities to the full, the Group is addressing workplace enhancement as a major focus of initiatives.

04 Stress Tests

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

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

Consolidated Balance Sheets

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Assets			
Current assets:			
Cash and cash equivalents (Notes 11 and 24)	**¥286,213**	¥455,588	**$2,578,497**
Time deposits other than cash equivalents (Notes 11 and 24)	**8,028**	10,639	**72,328**
Marketable securities (Notes 4 and 24)	**5,469**	819	**49,270**
Receivables:			
Lease	**33,083**	23,757	**298,047**
Installment sales (Notes 11 and 24)	**191,043**	227,280	**1,721,115**
Loans (Notes 11, 12, and 24)	**1,079,885**	1,136,398	**9,728,695**
Lease receivables and investments in leases (Notes 7, 11, 21, and 24)	**1,414,106**	1,583,670	**12,739,696**
Inventories (Notes 5 and 12)	**27,468**	21,217	**247,460**
Prepaid expenses and other (Note 11)	**120,119**	57,086	**1,082,154**
Allowance for doubtful receivables (Note 24)	**(5,794)**	(5,758)	**(52,205)**
Total current assets	**3,159,621**	3,510,701	**28,465,060**
Property and equipment:			
Leased assets — at cost	**2,709,336**	2,625,317	**24,408,441**
Accumulated depreciation	**(658,254)**	(599,721)	**(5,930,219)**
Net leased assets	**2,051,082**	2,025,596	**18,478,221**
Advances for purchases of leased assets	**59,750**	73,308	**538,294**
Total leased assets (Notes 6, 8, 11, and 12)	**2,110,833**	2,098,904	**19,016,516**
Other operating assets — at cost	**165,236**	129,013	**1,488,616**
Accumulated depreciation	**(13,097)**	(8,515)	**(117,995)**
Net other operating assets (Note 11)	**152,138**	120,498	**1,370,620**
Own-used assets — at cost	**12,537**	14,005	**112,947**
Accumulated depreciation	**(6,289)**	(8,038)	**(56,658)**
Net own-used assets	**6,248**	5,967	**56,288**
Total property and equipment	**2,269,220**	2,225,371	**20,443,425**
Investments and other assets:			
Investment securities (Notes 4, 11, and 24):			
Unconsolidated subsidiaries and associated companies	**150,054**	141,942	**1,351,841**
Other securities	**207,737**	172,004	**1,871,505**
Goodwill (Note 9)	**57,277**	65,580	**516,017**
Long-term receivables (Note 24)	**39,269**	24,693	**353,778**
Asset for retirement benefits (Note 14)	**21**	30	**193**
Deferred tax assets (Note 22)	**8,761**	14,797	**78,931**
Other (Note 11)	**140,369**	144,676	**1,264,590**
Allowance for doubtful receivables (Note 24)	**(22,501)**	(13,831)	**(202,719)**
Total investments and other assets	**580,989**	549,894	**5,234,138**
Total assets	**¥6,009,831**	¥6,285,966	**$54,142,624**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 11, 13, 21, and 24)	**¥236,730**	¥454,137	**$2,132,706**
Commercial paper (Notes 13 and 24)	**434,171**	762,100	**3,911,450**
Current maturities of bonds (Notes 13 and 24)	**244,025**	224,536	**2,198,426**
Current maturities of long-term loans (Notes 11, 12, 13, 21, and 24)	**372,344**	329,818	**3,354,450**
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 11, 12, 13, and 24)	**61,995**	59,109	**558,521**
Current maturities of lease obligations (Note 13)	**23,133**	25,213	**208,408**
Notes and accounts payable — trade (Note 24)	**81,000**	74,918	**729,737**
Income taxes payable	**10,805**	6,924	**97,344**
Deferred profit on installment sales (Note 24)	**10,095**	12,740	**90,953**
Other (Note 13)	**108,086**	100,691	**973,752**
Total current liabilities	**1,582,388**	2,050,190	**14,255,752**
Long-term liabilities:			
Bonds, less current maturities (Notes 13 and 24)	**980,181**	945,016	**8,830,463**
Long-term loans from banks and other financial institutions, less current maturities (Notes 11, 12, 13, 21, and 24)	**2,261,273**	2,079,301	**20,371,833**
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 11, 12, 13, and 24)	**44,234**	76,671	**398,513**
Lease obligations, less current maturities (Note 13)	**66,667**	86,203	**600,604**
Liability for retirement benefits (Note 14)	**3,173**	3,463	**28,590**
Asset retirement obligations	**25,055**	21,288	**225,724**
Deferred tax liabilities (Note 22)	**52,816**	53,508	**475,825**
Other (Notes 11 and 13)	**172,806**	171,501	**1,556,815**
Total long-term liabilities	**3,606,209**	3,436,955	**32,488,371**
Commitments and contingent liabilities (Notes 15 and 25)			
Equity (Notes 16 and 29)**:**			
Common stock — authorized, 3,200,000,000 shares in 2021 and 2020; issued, 895,834,160 shares in 2021 and 2020	**33,196**	33,196	**299,063**
Capital surplus	**167,280**	167,164	**1,507,029**
Stock acquisition rights (Note 17)	**1,552**	1,507	**13,990**
Retained earnings	**571,459**	538,977	**5,148,282**
Treasury stock — at cost, 4,368,016 shares in 2021 and 4,761,716 shares in 2020	**(1,528)**	(1,665)	**(13,767)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**30,678**	10,752	**276,386**
Deferred loss on derivatives under hedge accounting	**(15,519)**	(5,597)	**(139,814)**
Foreign currency translation adjustments	**22,278**	36,219	**200,707**
Defined retirement benefit plans	**(925)**	(1,333)	**(8,338)**
Total	**808,472**	779,220	**7,283,539**
Noncontrolling interests	**12,760**	19,599	**114,960**
Total equity	**821,233**	798,820	**7,398,500**
Total liabilities and equity	**¥6,009,831**	¥6,285,966	**$54,142,624**

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Revenues (Note 21)	¥894,342	¥923,768	$8,057,143
Costs (Note 21)	733,761	741,804	6,610,465
Gross profit	160,581	181,964	1,446,677
Selling, general, and administrative expenses (Note 18)	98,166	90,110	884,386
Operating income	62,414	91,853	562,290
Other income (expenses):			
Dividend income	3,384	2,803	30,492
Interest expense ─ net of interest income of ¥356 million ($3,270 thousand) in 2021 and ¥749 million in 2020 (Note 21)	(3,849)	(4,099)	(34,678)
Gain on sales of investment securities (Note 4)	10,029	1,358	90,359
Gain on sales of shares of subsidiaries and affiliates (Notes 3.a. and 3.b.)	431	237	3,891
Gain on step acquisition (Note 19)	1,395	3,433	12,568
Compensation income (Note 20)	3,488		31,425
Gain on sales of own-used assets	3,112		28,039
Other — net	2,810	3,510	25,322
Other income — net	20,803	7,244	187,420
Income before income taxes	83,217	99,097	749,710
Income taxes (Note 22)**:**			
Current	22,457	20,642	202,316
Deferred	3,918	6,288	35,300
Total income taxes	26,375	26,931	237,617
Net income	56,842	72,166	512,093
Net income attributable to noncontrolling interests	1,512	1,411	13,621
Net income attributable to owners of the parent	¥55,330	¥70,754	$498,471

	Yen		U.S. dollars
	2021	2020	2021
Amounts per share of common stock (Note 28)**:**			
Basic net income	¥62.08	¥79.44	$0.55
Diluted net income	61.85	79.14	0.55
Cash dividends applicable to the year	25.50	25.00	0.22

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Net income	**¥56,842**	¥72,166	**$512,093**
Other comprehensive income (Note 26)**:**			
Net unrealized gain (loss) on available-for-sale securities	**19,845**	(10,321)	**178,791**
Deferred loss on derivatives under hedge accounting	**(10,516)**	(8,400)	**(94,743)**
Foreign currency translation adjustments	**(14,194)**	(5,351)	**(127,877)**
Defined retirement benefit plans	**330**	(10)	**2,977**
Share of other comprehensive income in associates	**782**	213	**7,051**
Total other comprehensive loss	**(3,751)**	(23,869)	**(33,800)**
Comprehensive income	**¥53,090**	¥48,296	**$478,292**
Total comprehensive income attributable to:			
Owners of the parent	**¥51,801**	¥47,015	**$466,680**
Noncontrolling interests	**1,288**	1,280	**11,612**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Thousands				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, APRIL 1, 2019	895,834	¥33,196	¥167,147	¥1,471	¥491,963
Net income attributable to owners of the parent					70,754
Cash dividends					(23,601)
Disposal of treasury stock (576,400 shares)			14		
Adjustment of retained earnings for newly consolidated subsidiaries					(139)
Change in ownership of the parent due to transaction with noncontrolling shareholders			2		
Net change in the year				35	
BALANCE, MARCH 31, 2020	**895,834**	**33,196**	**167,164**	**1,507**	**538,977**
Net income attributable to owners of the parent					**55,330**
Cash dividends					**(22,501)**
Disposal of treasury stock (393,700 shares)			**32**		
Adjustment of retained earnings for newly consolidated subsidiaries					**(336)**
Adjustment of retained earnings for newly associated companies accounted for by the equity method					**(10)**
Change in ownership of the parent due to transaction with noncontrolling shareholders			**83**		
Net change in the year				**45**	
BALANCE, MARCH 31, 2021	**895,834**	**¥33,196**	**¥167,280**	**¥1,552**	**¥571,459**

	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, MARCH 31, 2020	**$299,063**	**$1,505,987**	**$13,581**	**$4,855,650**
Net income attributable to owners of the parent				**498,471**
Cash dividends				**(202,714)**
Disposal of treasury stock (393,700 shares)		**290**		
Adjustment of retained earnings for newly consolidated subsidiaries				**(3,032)**
Adjustment of retained earnings for newly associated companies accounted for by the equity method				**(92)**
Change in ownership of the parent due to transaction with noncontrolling shareholders		**752**		
Net change in the year			**408**	
BALANCE, MARCH 31, 2021	**$299,063**	**$1,507,029**	**$13,990**	**$5,148,282**

See notes to consolidated financial statements.

Millions of yen							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
¥(1,867)	¥21,032	¥2,431	¥41,742	¥(1,425)	¥755,692	¥22,890	¥778,582
					70,754		70,754
					(23,601)		(23,601)
201					216		216
					(139)		(139)
					2		2
	(10,279)	(8,028)	(5,522)	92	(23,703)	(3,291)	(26,994)
(1,665)	10,752	(5,597)	36,219	(1,333)	779,220	19,599	798,820
					55,330		55,330
					(22,501)		(22,501)
137					169		169
					(336)		(336)
					(10)		(10)
					83		83
	19,925	(9,922)	(13,940)	407	(3,483)	(6,838)	(10,322)
¥(1,528)	¥30,678	¥(15,519)	¥22,278	¥(925)	¥808,472	¥12,760	¥821,233

Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
$(15,008)	$96,873	$(50,426)	$326,297	$(12,011)	$7,020,006	$176,572	$7,196,579
					498,471		498,471
					(202,714)		(202,714)
1,240					1,531		1,531
					(3,032)		(3,032)
					(92)		(92)
					752		752
	179,513	(89,387)	(125,590)	3,673	(31,382)	(61,612)	(92,994)
$(13,767)	$276,386	$(139,814)	$200,707	$(8,338)	$7,283,539	$114,960	$7,398,500

Consolidated Statements of Cash Flows

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Operating activities:			
Income before income taxes	**¥83,217**	¥99,097	**$749,710**
Adjustment for:			
Income taxes — paid	**(22,335)**	(20,590)	**(201,220)**
Depreciation and amortization	**151,808**	139,626	**1,367,643**
Provision (reversal) of allowance for doubtful receivables	**9,810**	(143)	**88,378**
Loss on disposals and sales of leased assets	**45,783**	125,152	**412,460**
Gain on sales of own-used assets	**(3,112)**		**(28,039)**
Gain on sales of shares of subsidiaries and affiliates	**(431)**	(237)	**(3,891)**
Gain on step acquisition	**(1,395)**	(3,433)	**(12,568)**
Changes in assets and liabilities:			
Decrease (increase) in receivables	**75,018**	(34,756)	**675,846**
Decrease (increase) in lease receivables and investments in leases	**95,110**	(32,523)	**856,851**
Increase in operating securities and investments in private equity securities	**(17,293)**	(17,516)	**(155,794)**
Increase (decrease) in trade payables	**7,483**	(14,519)	**67,415**
Increase (decrease) in interest payable	**1,337**	(218)	**12,045**
Purchases of leased assets	**(185,989)**	(412,643)	**(1,675,578)**
Purchases of other operating assets	**(32,781)**	(47,073)	**(295,330)**
Other — net	**(6,915)**	(32,417)	**(62,299)**
Total adjustments	**116,096**	(351,297)	**1,045,918**
Net cash provided by (used in) operating activities	**199,314**	(252,199)	**1,795,628**
Investing activities:			
Purchases of own-used assets	**(2,648)**	(4,330)	**(23,861)**
Proceeds from sales of own-used assets	**3,272**	9	**29,481**
Purchases of investment securities	**(15,699)**	(14,542)	**(141,438)**
Proceeds from sales and redemption of investment securities	**14,664**	2,924	**132,112**
Payments for acquisition of newly consolidated subsidiaries		(20,808)	
Proceeds from sales of consolidated subsidiaries	**2,019**	3,871	**18,189**
Payments into time deposits	**(55,524)**	(1,641)	**(500,216)**
Proceeds from withdrawal of time deposits	**54,250**	1,648	**488,740**
Other — net	**886**	(120)	**7,983**
Net cash provided by (used in) investing activities	**1,220**	(32,988)	**10,992**
Financing activities:			
Net (decrease) increase in short-term loans	**(211,716)**	143,201	**(1,907,353)**
Net (decrease) increase in commercial paper	**(328,318)**	19,900	**(2,957,819)**
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	**103,767**	141,750	**934,841**
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	**(132,989)**	(151,353)	**(1,198,101)**
Proceeds from long-term loans	**578,241**	579,134	**5,209,381**
Repayments of long-term loans	**(402,652)**	(268,898)	**(3,627,501)**
Proceeds from issuance of bonds	**280,426**	351,409	**2,526,363**
Redemption of bonds	**(230,079)**	(237,137)	**(2,072,783)**
Cash dividends paid	**(22,501)**	(23,601)	**(202,714)**
Cash dividends paid to noncontrolling shareholders	**(5,530)**	(2,149)	**(49,825)**
Other — net	**(1,456)**	65	**(13,125)**
Net cash (used in) provided by financing activities	**(372,808)**	552,320	**(3,358,638)**
Foreign currency translation adjustments on cash and cash equivalents	**2,818**	1,670	**25,390**
Net (decrease) increase in cash and cash equivalents	**(169,455)**	268,803	**(1,526,626)**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	**80**	294	**725**
Cash and cash equivalents, beginning of year	**455,588**	186,489	**4,104,398**
Cash and cash equivalents, end of year	**¥286,213**	¥455,588	**$2,578,497**

See notes to consolidated financial statements.

Additional information

Transfer of HIROGIN LEASE CO., LTD. (HIROGIN LEASE) (Note 3.a.)

Proceeds from sales of consolidated subsidiaries mainly consist of the transfer of HIROGIN LEASE.

On March 1, 2021, the Company transferred entire shares of HIROGIN LEASE according to the share transfer agreement executed on December 23, 2020.

Reconciliation of the net cash provided by the transfer of HIROGIN LEASE is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2021	**2021**
Current assets	**¥73,732**	**$664,257**
Fixed assets	**2,718**	**24,494**
Current liabilities	**(44,681)**	**(402,539)**
Long-term liabilities	**(26,412)**	**(237,950)**
Noncontrolling interests	**(1,071)**	**(9,652)**
Others	**(1)**	**(13)**
Gain on share transfer	**431**	**3,891**
Transfer amount	**4,716**	**42,487**
Cash and cash equivalents	**(3,629)**	**(32,700)**
Net cash provided by transfer of shares of HIROGIN LEASE	**¥1,086**	**$9,787**

Transfer of SHINKO LEASE CO., LTD. (SHINKO LEASE) (Note 3.b.)

Proceeds from sales of consolidated subsidiaries mainly consist of the transfer of SHINKO LEASE.

On July 1, 2019, the Company transferred entire shares of SHINKO LEASE according to the share transfer agreement executed on April 23, 2019.

Reconciliation of the net cash provided by the transfer of SHINKO LEASE is as follows:

	Millions of yen
	2020
Current assets	¥70,922
Fixed assets	25,506
Current liabilities	(54,098)
Long-term liabilities	(39,406)
Noncontrolling interests	(584)
Others	(86)
Gain on share transfer	237
Transfer amount	2,489
Cash and cash equivalents	(862)
Net cash provided by transfer of shares of SHINKO LEASE	¥1,627

Notes to Consolidated Financial Statements

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries

Years ended March 31, 2021 and 2020

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi HC Capital Inc. (formerly: Mitsubishi UFJ Lease & Finance Company Limited) (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 International Financial Reporting Standards (“IFRS”).

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 2020 consolidated financial statements to conform to the classifications used in 2021.

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 ¥111 to USD1, the approximate rate of exchange at March 31, 2021.

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 a 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 March 31, 2021, include the accounts of the Company and its 188 (184 in 2020) 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 2020) unconsolidated subsidiary and 52 (42 in 2020) 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 56 such collective investment vehicles in 2021 (46 in 2020).

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 mainly 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, 2021.

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. 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 while net of disposal value and disposal cost were included in revenues or costs by consolidated foreign subsidiaries.

(Additional Information)
Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (the revised ASBJ Statement No. 24, March 31, 2020) was applied for the consolidated financial statements for the year ended March 31, 2021, and accounting policies and procedures applied were newly disclosed if relative accounting standards and guidance are not specified.

Installment Sales — The Companies record revenues and profits from installment sales at the due date of each receipt.

The Companies follow the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥128,306 million ($1,155,918 thousand) in 2021 and ¥152,536 million in 2020.

f. Marketable and Investment Securities — All securities are classified as available-for-sale securities. Available-for-sale 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.

Available-for-sale securities for which the fair value is not readily determinable are 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.

The Companies have operating securities to gain interest or dividend income. The amount of operating securities included in “Marketable Securities” and “Investment Securities” was ¥5,411 million ($48,748 thousand) and ¥123,966 million ($1,116,812 thousand), respectively, as of March 31, 2021, and ¥798 million and ¥117,963 million, respectively, as of March 31, 2020. 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 acquired after April 1, 2000, and leasehold improvements and structures acquired after April 1, 2016, by the Company and its consolidated domestic subsidiaries.

The range of estimated useful lives of the assets is principally as follows:

Buildings: Three to 40 years (three to 40 years in 2020)
Furniture and equipment: Three to 20 years (three to 20 years in 2020)

i. Long-Lived Assets — The Company and its consolidated domestic subsidiaries 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 (DCFs) from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Allowance for Doubtful Receivables — The allowance for doubtful receivables is stated at the amount considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding. The amounts of long-term receivables considered uncollectible were directly written off from the accounts. The amounts directly written off were ¥9,671 million ($87,132 thousand) and ¥13,896 million at March 31, 2021 and 2020, respectively.

k. Retirement and Pension Plans

Employees' Retirement Benefits — The Company and certain consolidated subsidiaries have contract-type defined benefit corporate pension plans for employees or unfunded retirement benefit plans. The Company adopted contract-type defined benefit corporate pension plans based on Defined Benefit Corporate Pension Act on February 1, 2011.

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

Assumptions were set forth as follows:

Method of attributing expected retirement benefit to periods	Benefit formula basis method
Amortization period of prior service cost	13 to 15 years
Recognition period of actuarial gain/loss	13 to 20 years

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 employee 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 presented as stock acquisition rights as a separate component of equity until exercised.

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 currency swap agreements and foreign exchange forward contracts 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.

Foreign exchange forward contracts, currency interest rate swap contracts 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 sheet date, and the unrealized gains or losses are deferred until maturity in a separate component of equity.

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

Certain foreign consolidated subsidiaries applied *Leases* (IFRS No. 16, issued by International Accounting Standards Board ("IASB")) for the year ended March 31, 2020. The effects of this change on the consolidated financial statements for the year ended March 31, 2020, were immaterial.

s. New Accounting Pronouncements

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and
Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)
Implementation Guidance on Disclosure about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

The IASB and Financial Accounting Standards Board ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued *Revenue from Contracts with Customers* (IFRS No. 15, issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation that IFRS No. 15 has become applicable from the fiscal year beginning on or after January 1, 2018, and Topic 606 from the fiscal year beginning on or after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ's basic policy in developing the accounting standard for revenue recognition was to establish accounting standards as a starting point to adopt basic principles of IFRS No. 15 from the viewpoint of comparability of financial statements, which is one of the benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and others in Japan should be considered.

(2) Date of application

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

(3) Effect of adopting the revised accounting standards

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), *Accounting Standard for Measurement of Inventories* (ASBJ Statement No. 9, July 4, 2019), *Accounting Standard for Financial Instruments* (ASBJ Statement No. 10, July 4, 2019), and *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31, July 4, 2019)
Implementation Guidance on Disclosure about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

The ASBJ promoted an initiative to enhance comparability of the requirements between accounting principles generally accepted in Japan and international accounting standards, primarily in the areas of guidance on the fair values of financial instruments and their disclosures, and issued *Accounting Standard for Fair Value Measurement*, *Accounting Standard for Measurement of Inventories*, *Accounting Standard for Financial Instruments*, and *Implementation Guidance on Accounting Standard for Fair Value Measurement* considering the circumstance where the IASB and the FASB have prescribed almost the similar detailed guidance (*Fair Value Measurement* (IFRS No. 13, issued by IASB) and *Fair Value Measurement* (Accounting Standard Codification Topic 820, issued by FASB)).

The ASBJ's fundamental policies adopted for developing the *Accounting Standard for Fair Value Measurement*, *Accounting Standard for Measurement of Inventories*, *Accounting Standard for Financial Instruments*, and *Implementation Guidance on Accounting Standard for Fair Value Measurement* are, in principle, to implement all the requirements of IFRS No. 13 from the viewpoint of enhancing the comparability of the financial statements of domestic and overseas companies by prescribing unified measurement methods, and also to prescribe exceptional treatments for individual matters so that comparability would not be impaired while the accounting practices that have conventionally been adopted in Japan are taken into account.

(2) Date of application
The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

(3) Effect of adopting the revised accounting standards
The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standards and guidance in future applicable periods.

t. Significant Accounting Estimates
Accounting Standard for Disclosure of Accounting Estimates（ASBJ Statement No. 31, March 31, 2020）was applied for the year ended March 31, 2021, and the significant accounting estimates used in preparation of the consolidated financial statements were disclosed in notes to the consolidated financial statements. Disclosure for the year ended March 31, 2020 was omitted as permitted by the transitional clause of Paragraph 11 of the Statement No. 31.

Effect of COVID-19
The global spread of COVID-19 has affected the Companies business operation. Accounting estimates used in preparation of the consolidated financial statements for the year ended March 31, 2021 includes assumptions regarding future effects of COVID-19 on each business of the Companies.

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 is reduced to their respective recoverable amounts and the differences between the carrying amounts and recoverable amounts is 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 ¥832,416 million ($7,499,243 thousand) at March 31, 2021, the Companies regularly reviewed future cash flows and performs impairment evaluation in accordance with the accounting principles generally accepted in the United States of America. The Companies compared the carrying amounts to the sum of the undiscounted future cash flows, and the amount by which the carrying value exceeded the fair value was recorded as an impairment loss for the assets where the carrying amount of aircraft exceeded the sum of the undiscounted future cash flows. Future cash flows were comprised of current lease rents, future lease rents, residual values at maturity, disposal costs, lease terms, off lease periods, renewal lease term, and other factors. Future lease rents and residual values at maturity were based on appraisal results by appraisal companies and disposal costs, lease terms, off lease periods and renewal periods were estimated based on historical experience and other information. The effect of COVID-19 was also considered for the estimates for the year ended March 31, 2021.

Impairment losses on aircraft of ¥ 1,691 million ($15,240 thousand) were included in costs in the accompanying consolidated statement of income for the year ended March 31, 2021.

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, business plans, which is 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.

For the year ended March 31, 2021, the Companies assessed impairment for goodwill recognized related to the acquisition of ENGS Holdings Inc. (“ENGS”) (¥11,261 million ($101,459 thousand) at March 31, 2021), which engages in vendor financing in U.S. because ENGS was affected by COVID-19, and the Companies identified impairment indicators for goodwill on ENGS. The Companies determined not to recognize an impairment loss as a result of comparing the total of the undiscounted future cash flows and carrying amounts of the asset group including the goodwill since the total of the undiscounted future cash flows exceeded the carrying amounts.

Allowance for Doubtful Receivables

The allowance for doubtful receivables is stated at amounts considered to be appropriate based on the Companies’ past credit loss experience and based on an evaluation of potential losses in the receivables outstanding.

The potential losses are measured based on financial condition of customers, estimated recoverable amount of collaterals 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.

The Companies recorded allowance for doubtful receivables of ¥28,296 million ($254,925 thousand) for the year ended March 31, 2021.

u. Additional Information (applied only for the year ended March 31, 2020)

The Japanese Government declared State of Emergency on April 7, 2020 due to the spread of COVID-19, which affected the Companies’ business operation.

The Companies assessed the impairment of goodwill for the year ended March 31, 2020 based on the assumption that COVID-19 would have an impact on the impairment of goodwill for the year ending March 31, 2021. Further, an additional amount of allowance for doubtful receivables was recorded in order to prepare for potential credit losses to be recognized due to the COVID-19 situation after March 31, 2020.

3. Business Combinations

Business Divestitures

a. Transfer of HIROGIN LEASE CO., LTD. (“HIROGIN LEASE”)

At the meeting of the Board of Directors held on December 23, 2020, the Company resolved to sell all shares of HIROGIN LEASE, a consolidated subsidiary of the Company, by way of HIROGIN LEASE acquiring its treasury stock, and signed a share transfer agreement on the same day. The share transfer was completed on March 1, 2021.

(1) Outline of the share transfer

(a) Name and business of the subsidiary

Name: HIROGIN LEASE CO., LTD.
Business: Lease, installment sales and financing

(b) Name of the counterparty of the share transfer

HIROGIN LEASE CO., LTD.

(c) Reason for the share transfer

The Company has been operating finance business through HIROGIN LEASE as a joint venture business with The Hiroshima Bank Group mainly in Chugoku region. The Company decided to enter into the share transfer agreement because operating under the umbrella of Hirogin Holdings Inc. would provide HIROGIN LEASE an opportunity to expand its strength and further development. The Company aims for further growth and pursue the Companies' own vision from the viewpoint of asset efficiency.

(d) Date of the share transfer

March 1, 2021

(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
¥431 million ($3,891 thousand)

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

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥73,732**	**$664,257**
Property and equipment, Investments and other assets	**2,718**	**24,494**
Total assets	**¥76,451**	**$688,752**
Current liabilities	**¥44,681**	**$402,539**
Long-term liabilities	**26,412**	**237,950**
Total liabilities	**¥71,094**	**$640,490**

(c) Accounting treatment

The Company presented the difference between the book value and the transfer price of HIROGIN LEASE as a gain on sales of shares of subsidiaries and affiliates in Other income (expenses) in the consolidated financial statement for the year ended March 31, 2021.

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

Customer Business

(4) Estimated amount of profits and losses related to the business included in the consolidated statement of income for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
Revenues	**¥19,016**	**$171,316**
Operating income	**1,077**	**9,709**

b. Transfer of SHINKO LEASE CO., LTD. (“SHINKO LEASE”)

The Company resolved at the meeting of the Board of Directors held on April 18, 2019, to sell all shares of SHINKO LEASE, a consolidated subsidiary, and signed a share transfer agreement with Showa Leasing Co., Ltd. (“Showa Leasing”) on April 23, 2019. The share transfer was completed on July 1, 2019.

(1) Outline of the share transfer

(a) Name and business of the subsidiary

Name: SHINKO LEASE CO., LTD.
Business: Lease, rental, purchase and sales and installment sales of various movable assets

(b) Name of the counterparty of the share transfer

Showa Leasing Co., Ltd.

(c) Reason for the share transfer

Since the Company acquired shares of SHINKO LEASE from Kobe Steel, Ltd. (“Kobe Steel”) in 2000, the Company has been operating finance businesses through SHINKO LEASE as a joint venture business with Kobe Steel, which has been providing finance function to Kobe Steel Group as well as conducting operating lease and installment sales business of construction machinery. The Company decided to enter into the share transfer agreement because the transfer of all shares of SHINKO LEASE held by the Company to Showa Leasing will provide SHINKO LEASE an opportunity to expand its strength through synergy with Showa Leasing and contribute to further development. The Company aims for further growth by improving asset efficiency through this share transfer and allocating business resources to main target industries, such as global assets and social infrastructures.

(d) Date of the share transfer

July 1, 2019

(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

¥237 million

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

	Millions of yen
Current assets	¥70,922
Property and equipment, Investments and other assets	25,506
Total assets	¥96,428
Current liabilities	¥54,098
Long-term liabilities	39,406
Total liabilities	¥93,505

(c) Accounting treatment

The Company presented the difference between the book value and the transfer price of SHINKO LEASE as a gain on sales of shares of subsidiaries and affiliates in Other income (expenses) in the consolidated financial statement for the year ended March 31, 2020.

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

Customer Finance

(4) Estimated amount of profits and losses related to the business included in the consolidated statement of income for the year ended March 31, 2020

	Millions of yen
Revenues	¥7,348
Operating income	154

4. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Marketable securities	**¥5,469**	¥819	**$49,270**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**150,054**	141,942	**1,351,841**
Other securities	**207,737**	172,004	**1,871,505**
Total	**¥363,260**	¥314,767	**$3,272,617**

Marketable and investment securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Equity securities	**¥185,657**	¥145,066	**$1,672,586**
Debt securities	**10,610**	10,578	**95,589**
Trust fund investments and other	**166,993**	159,123	**1,504,442**
Total	**¥363,260**	¥314,767	**$3,272,617**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2021 and 2020, were as follows:

	Millions of yen			
March 31, 2021	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**¥29,179**	**¥43,491**	**¥(1,216)**	**¥71,453**
Debt securities	**10,489**	**120**		**10,610**
Trust fund investments and other	**50**			**50**
Total	**¥39,719**	**¥43,611**	**¥(1,216)**	**¥82,114**

	Millions of yen			
March 31, 2020	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	¥32,025	¥27,123	¥(7,619)	¥51,529
Debt securities	10,491	87		10,578
Trust fund investments and other	50			50
Total	¥42,567	¥27,210	¥(7,619)	¥62,157

	Thousands of U.S. dollars			
March 31, 2021	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**$262,879**	**$391,811**	**$(10,961)**	**$643,729**
Debt securities	**94,500**	**1,088**		**95,589**
Trust fund investments and other	**450**			**450**
Total	**$357,831**	**$392,899**	**$(10,961)**	**$739,768**

Marketable and investment securities whose fair value is not readily determinable as of March 31, 2021 and 2020, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Investments in unconsolidated subsidiaries and associated companies	**¥148,169**	¥140,624	**$1,334,856**
Available for sale:			
Equity securities	**28,608**	25,909	**257,737**
Trust beneficiary interests	**2,068**	1,634	**18,634**
Silent partnership and other	**102,299**	84,441	**921,619**
Total	**¥281,146**	¥252,609	**$2,532,848**

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Proceeds	**¥15,435**	¥9,113	**$139,059**
Realized gains	**11,149**	5,031	**100,449**
Realized losses	**(242)**	(6)	**(2,181)**

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Equity securities	**¥106**	¥322	**$959**
Trust fund investments and other	**1**	632	**13**
Total	**¥108**	¥954	**$973**

5. Inventories

Inventories as of March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Merchandise	**¥12,664**	¥11,140	**$114,096**
Real estate for resale	**14,803**	10,076	**133,363**
Total	**¥27,468**	¥21,217	**$247,460**

6. Investment Property

The Companies own certain rental properties, such as office buildings, commercial facilities, and rental residential properties, in major cities throughout Japan. The net of rental income and operating expenses for those properties was ¥12,369 million ($111,436 thousand) and ¥11,795 million for the fiscal years ended March 31, 2021 and 2020, respectively. The net gain from sales of those properties was ¥9,031 million ($81,369 thousand) and ¥7,050 million for the fiscal years ended March 31, 2021 and 2020, respectively.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2021 and 2020, were as follows:

Millions of yen			
2021			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
¥348,744	**¥(30,123)**	**¥318,620**	**¥370,177**

Millions of yen			
2020			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
¥322,831	¥25,912	¥348,744	¥414,532

Thousands of U.S. dollars			
2021			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
$3,141,838	**$(271,383)**	**$2,870,455**	**$3,334,935**

Notes:

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

(2) Net change during the fiscal year ended March 31, 2021, was primarily attributable to a ¥22,151 million ($199,562 thousand) decrease from the sales of real estate. Net change during the fiscal year ended March 31, 2020, was primarily attributable to a ¥40,932 million increase from the acquisition of real estate.

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

7. Lease Receivables and Investments in Leases

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2021, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2021**	**2021**
2022	**¥139,540**	**$1,257,124**
2023	**115,911**	**1,044,246**
2024	**86,749**	**781,531**
2025	**55,648**	**501,333**
2026	**36,064**	**324,908**
Thereafter	**100,081**	**901,632**
Total	**¥533,996**	**$4,810,776**

Investments in leases as of March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Gross investments in leases	**¥1,172,438**	¥1,303,719	**$10,562,507**
Residual values	**39,094**	42,225	**352,200**
Unearned interest income	**(270,595)**	(273,477)	**(2,437,796)**
Total	**¥940,937**	¥1,072,468	**$8,476,912**

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2021, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2021**	**2021**
2022	**¥276,228**	**$2,488,547**
2023	**229,453**	**2,067,151**
2024	**178,266**	**1,606,007**
2025	**127,294**	**1,146,800**
2026	**82,563**	**743,817**
Thereafter	**278,630**	**2,510,183**
Total	**¥1,172,438**	**$10,562,507**

The consolidated balance sheets' amounts of sublease contracts, including those that aim to disperse credit risks, including interest as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Lease receivables	**¥26,938**	¥28,926	**$242,689**
Investments in leases	**56,520**	77,225	**509,189**
Lease obligations	**86,444**	109,186	**778,783**

8. Leased Assets

The minimum future rentals on lease contracts as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Due within one year	**¥174,287**	¥185,307	**$1,570,157**
Due after one year	**767,278**	817,293	**6,912,420**
Total	**¥941,566**	¥1,002,601	**$8,482,578**

9. Goodwill

Goodwill as of March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Goodwill in connection with acquisition	**¥12,704**	¥14,821	**$114,455**
Consolidation goodwill	**44,573**	50,758	**401,561**
Total	**¥57,277**	¥65,580	**$516,017**

Goodwill in connection with acquisition is related to the merger of the Company with UFJ Central Leasing Company Limited, effective April 1, 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, 2021 and 2020. As a result, the Companies recognized impairment losses of ¥2,578 million ($23,230 thousand) on the following long-lived assets in costs in the accompanying consolidated statement of income for the year ended March 31, 2021.

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Leased assets	Aircraft	**¥1,691**	**$15,240**
Leased assets	Aircraft engine	**886**	**7,989**

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 net selling price, and the net selling price is evaluated based on the valuation reasonably calculated by a third party.

For the year ended March 31, 2020, no impairment loss was recognized.

11. Pledged Assets

As of March 31, 2021, 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
	2021	2021
Cash, cash equivalents and time deposits other than cash equivalents	¥14,708	$132,511
Receivables — loans	21,257	191,505
Receivables — installment sales	5	52
Lease receivables and investments in leases	96,533	869,674
Current assets — other	652	5,875
Leased assets	588,411	5,301,004
Other operating assets	115,446	1,040,056
Investment securities	16,541	149,022
Investments and other assets — other	4,546	40,959
Future rentals on operating lease contracts	2,043	18,413
Total	¥860,147	$7,749,077

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Short-term loans from banks and other financial institutions	¥669	$6,033
Long-term loans from banks and other financial institutions	528,904	4,764,901
Loans from the securitizations of the minimum future rentals on lease contracts	75,106	676,638
Long-term liabilities — other	1,689	15,222
Total	¥606,370	$5,462,795

12. Nonrecourse Loans

Nonrecourse loans as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current maturities of nonrecourse long-term loans	¥10,916	¥558	$98,351
Current maturities of nonrecourse loans from the securitization of the minimum future rentals on lease contracts		4,240	
Nonrecourse bond	100		900
Nonrecourse long-term loans, less current maturities	53,354	5,532	480,675
Total	¥64,371	¥10,331	$579,927

Pledged assets for nonrecourse loans as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Receivables — loans	¥6,722	¥12,688	$60,559
Inventories	6,664		60,044
Leased assets	74,396		670,242
Total	¥87,783	¥12,688	$790,846

13. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Short-term loans from banks and other financial institutions:			
0.49%	**¥236,730**		**$2,132,706**
0.82%		¥454,137	
Commercial paper:			
0.02%	**¥434,171**		**$3,911,450**
0.01%		¥762,100	

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Bonds:			
Bonds without collateral:			
Due 2021-2036, 0.001%-0.890%	**¥682,000**		**$6,144,144**
Due 2020-2036, 0.001%-0.890%		¥655,000	
U.S. dollar bonds without collateral:			
Due 2022-2030, 2.652%-3.967%	**287,846**		**2,593,207**
Due 2022-2024, 2.652%-3.960%		195,894	
U.S. dollar bonds issued under the MTN program:			
Due 2021, 2.250%	**55,348**		**498,634**
Due 2020-2021, 2.250%-2.750%		108,805	
Euroyen bonds issued under the MTN program:			
Due 2021-2024, 0.010%-0.180%	**71,000**		**639,639**
Due 2020-2024, 0.015%-0.180%		98,100	
Bonds without collateral issued by Hirogin Lease Co., Ltd.*:			
Due 2020-2022, 0.050%-0.078%		7,000	
Bond without collateral issued by Shutoken Lease Co., Ltd.:			
Due 2022, 0.480%	**40**		**360**
Due 2022, 0.480%		64	
Bond without collateral issued by DFL Lease Co., Ltd.:			
Due 2024, 0.320%	**100**		**900**
Due 2024, 0.320%		100	
Bonds without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2023-2024, 0.130% - 0.260%	**3,039**		**27,379**
Due 2023-2024, 0.130% - 0.260%		3,044	
U.S. dollar bonds without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2022, 0.217% - 0.221%	**3,117**		**28,084**
Due 2022, 1.894% - 1.904%		3,303	
Thai baht bond without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2021, 2.420%	**3,440**		**30,990**
Due 2021, 2.420%		3,630	
U.S. dollar bonds without collateral issued by Jackson Square Aviation Ireland Ltd.:			
Due 2024-2028, 3.520%-3.990%	**31,050**		**279,729**
Due 2024-2028, 3.520%-3.990%		32,868	
U.S. dollar bonds without collateral issued by Engine Lease Finance Corporation:			
Due 2026-2031, 4.480%-4.730%	**20,700**		**186,486**
Due 2026-2031, 4.480%-4.730%		21,912	
U.S. dollar bonds issued under the MTN program by MUL Asset Finance Corporation:			
Due 2022-2030, 0.952 % -3.097%	**66,426**		**598,432**
Due 2022-2030, 1.822 % -2.889%		39,831	
Bond with collateral— other:			
Due 2028, 0.706%	**100**		**900**
Total	**¥1,224,206**	¥1,169,553	**$11,028,890**

* Balance as of March 31, 2021 is not listed as Hirogin Lease Co., Ltd. was excluded from consolidation (Note 3.a.).

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 0.83%	**¥361,427**		**$3,256,099**
Due 2022-2037, 1.44%	**2,207,918**		**19,891,158**
Due within one year, 1.41%		¥329,259	
Due 2021-2039, 1.67%		2,073,769	
Total	**¥2,569,345**	¥2,403,029	**$23,147,257**
Nonrecourse loans:			
Due within one year, 1.07%	**¥10,916**		**$98,351**
Due 2027-2032, 1.13%	**53,354**		**480,675**
Due within one year, 2.82%		¥558	
Due 2021, 2.82%		5,532	
Total	**¥64,271**	¥6,090	**$579,026**
Nonrecourse loans from the securitization of the minimum future rentals on lease contracts:			
Due within one year, 3.50%		¥4,240	
Lease obligations, including fixed interests:			
Due within one year	**¥23,133**		**$208,408**
Due 2022-2037	**66,667**		**600,604**
Due within one year		¥25,213	
Due 2021-2037		86,203	
Total	**¥89,800**	¥111,417	**$809,012**
Loans from the securitizations of the minimum future rentals on lease contracts:			
Due within one year, 0.30%	**¥61,995**		**$558,521**
Due 2022-2029, 0.64%	**44,234**		**398,513**
Due within one year, 0.18%		¥54,868	
Due 2021-2029, 0.52%		76,671	
Total	**¥106,230**	¥131,540	**$957,035**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥52**		**$475**
Due 2022-2035	**1,395**		**12,572**
Due within one year		¥52	
Due 2021-2035		1,426	
Total	**¥1,448**	¥1,479	**$13,047**

The interest rates of loans from banks and other financial institutions, commercial paper, and loans from the securitizations of the minimum future rentals on lease contracts represent weighted-average rates on outstanding balances at March 31, 2021 and 2020.

Substantially all of the Company's short-term bank loans are made under agreements, as is customary in Japan, which provide that, at the request of such banks, the Company will provide additional collateral or guarantors with respect to the loan. As of March 31, 2021, the Company has not received any such request.

Annual maturities of long-term debt as of March 31, 2021, for the next five years were as follows:

	Millions of yen				
March 31, 2021	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.	**¥236,730**				
Commercial paper......	**434,171**				
Bonds	**244,025**	**¥157,309**	**¥217,093**	**¥133,597**	**¥170,890**
Long-term loans from banks and other financial institutions.	**361,427**	**449,661**	**420,797**	**386,539**	**274,333**
Nonrecourse loans	**10,916**	**4,195**	**5,311**	**5,420**	**5,533**
Lease obligations.......	**23,133**	**19,497**	**15,550**	**11,653**	**6,877**
Loans from the securitizations of the minimum future rentals on lease contracts and other...	**62,048**	**26,357**	**17,167**	**960**	**216**
Total....................	**¥1,372,452**	**¥657,019**	**¥675,921**	**¥538,171**	**¥457,851**

	Thousands of U.S. dollars				
March 31, 2021	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.	**$2,132,706**				
Commercial paper......	**3,911,450**				
Bonds	**2,198,426**	**$1,417,198**	**$1,955,797**	**$1,203,582**	**$1,539,554**
Long-term loans from banks and other financial institutions.	**3,256,099**	**4,051,002**	**3,790,971**	**3,482,334**	**2,471,470**
Nonrecourse loans	**98,351**	**37,793**	**47,855**	**48,832**	**49,854**
Lease obligations.......	**208,408**	**175,649**	**140,092**	**104,989**	**61,958**
Loans from the securitizations of the minimum future rentals on lease contracts and other...	**558,996**	**237,452**	**154,662**	**8,654**	**1,952**
Total....................	**$12,364,439**	**$5,919,096**	**$6,089,379**	**$4,848,393**	**$4,124,788**

The Company and certain consolidated subsidiaries had loan commitment agreements as of March 31, 2021 and 2020, amounting to ¥447,248 million ($4,029,269 thousand) and ¥525,150 million, respectively, of which ¥447,248 million ($4,029,269 thousand) and ¥497,400 million, respectively, were unused. Of the unused portion of the loan commitment agreements, ¥446,690 million ($4,024,240 thousand) and ¥487,731 million was for the Company and MUL Asset Finance Corporation, which engages in funding operation for the Company and the Group in the United States of America, as of March 31, 2021 and 2020, respectively.

14. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have contract-type defined benefit corporate pension plans for employees or unfunded retirement benefit plans and defined contribution pension plans. The Company adopted contract-type defined benefit corporate pension plans based on Defined Benefit Corporate Pension Act on February 1, 2011. 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, 2021 and 2020, were ¥112 million ($1,015 thousand) and ¥119 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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at beginning of year	**¥25,269**	¥24,665	**$227,650**
Current service cost	**1,407**	1,523	**12,678**
Interest cost	**130**	126	**1,175**
Actuarial gains (losses)	**360**	(273)	**3,249**
Benefits paid	**(718)**	(579)	**(6,471)**
Change in the scope of consolidation	**(127)**	(194)	**(1,146)**
Balance at end of year	**¥26,322**	¥25,269	**$237,136**

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Balance at beginning of year	**¥21,954**	¥21,432	**$197,792**
Expected return on plan asset	**363**	354	**3,271**
Actuarial gains (losses)	**360**	(762)	**3,249**
Contributions from the employer	**1,124**	1,249	**10,129**
Benefits paid	**(520)**	(318)	**(4,688)**
Balance at end of year	**¥23,282**	¥21,954	**$209,754**

(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
	2021	2020	**2021**
Funded defined benefit obligation	**¥25,436**	¥24,355	**$229,154**
Plan assets	**(23,282)**	(21,954)	**(209,754)**
	2,153	2,400	**19,400**
Unfunded defined benefit obligation	**885**	913	**7,981**
Net liability arising from defined benefit obligation	**¥3,039**	¥3,314	**$27,381**
Liability for retirement benefits	**¥3,060**	¥3,344	**$27,575**
Asset for retirement benefits	**(21)**	(30)	**(193)**
Net liability arising from defined benefit obligation	**¥3,039**	¥3,314	**$27,381**

(4) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Service cost	**¥1,407**	¥1,523	**$12,678**
Interest cost	**130**	126	**1,175**
Expected return on plan assets	**(363)**	(354)	**(3,271)**
Recognized actuarial losses	**403**	343	**3,631**
Amortization of prior service cost	**87**	87	**788**
Others	**5**	9	**52**
Net periodic benefit costs	**¥1,671**	¥1,735	**$15,055**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Prior service cost	**¥87**	¥87	**$788**
Actuarial gains (losses)	**393**	(115)	**3,542**
Total	**¥480**	¥(28)	**$4,330**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unrecognized prior service cost	**¥(459)**	¥(372)	**$(4,143)**
Unrecognized actuarial losses	**1,737**	2,140	**15,656**
Total	**¥1,278**	¥1,768	**$11,513**

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2021	2020
General account	**44%**	47%
Debt investments	**23**	23
Equity investments	**16**	15
Alternative investments*	**16**	13
Others	**1**	2
Total	**100%**	100%

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

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

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

(8) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	2021	2020
Discount rate	**0.56%**	0.56%
Expected rate of return on plan assets	**1.7**	1.7

Other than the above, an expected rate of salary increase is used for the assumption. The Company have adopted a point system. Salaries as the base for benefits consist of points by function and points by service. Salary increase index by age is used for points by function.

(9) Defined contribution pension plans

Contributions to defined contribution pension plans for the years ended March 31, 2021 and 2020, were ¥811 million ($7,313 thousand) and ¥754 million, respectively.

15. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2021, totaling ¥133,112 million ($1,199,207 thousand), where the used portion is ¥34,325 million ($309,237 thousand), and the unused portion is ¥98,786 million ($889,969 thousand). This amount includes unused portions of the facilities of ¥88,513 million ($797,420 thousand), 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, 2021, as guarantor or co-guarantor for operating transactions of ¥14,505 million ($130,681 thousand), and borrowings and others of ¥596 million ($5,376 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 25).

16. Equity

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

(a) Dividends

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

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

The stock options outstanding as of March 31, 2021, were as follows:

	2011 stock option	2012 stock option	2013 stock option
Persons granted	9 directors 17 executive officers	10 directors 17 executive officers	10 directors 17 executive officers
Number of options granted*	651,600	721,700	583,100
Date of grant	October 15, 2010	October 14, 2011	October 15, 2012
The fair value of options granted under the plan at the grant dates*	¥250.1 ($2.25)	¥283.1 ($2.55)	¥312.8 ($2.81)

	2014 stock option	2015 stock option	2016 stock option
Persons granted	10 directors 19 executive officers	10 directors 18 executive officers	9 directors 20 executive officers
Number of options granted*	419,000	350,300	368,800
Date of grant	October 15, 2013	October 15, 2014	October 15, 2015
The fair value of options granted under the plan at the grant dates*	¥502 ($4.52)	¥490 ($4.41)	¥546 ($4.91)

	2017 stock option	2018 stock option	2019 stock option
Persons granted	9 directors 20 executive officers	9 directors 27 executive officers	6 directors 33 executive officers
Number of options granted*	451,700	493,000	422,400
Date of grant	October 14, 2016	October 13, 2017	July 13, 2018
The fair value of options granted under the plan at the grant dates*	¥436 ($3.92)	¥566 ($5.09)	¥590 ($5.31)

	2020 stock option	**2021 stock option**
Persons granted	5 directors 30 executive officers	**5 directors** **31 executive officers**
Number of options granted*	490,400	**507,000**
Date of grant	July 12, 2019	**July 15, 2020**
The fair value of options granted under the plan at the grant dates*	¥513 ($4.62)	**¥424** **($3.81)**

The total stock-based compensation costs recognized for the years ended March 31, 2021 and 2020, were ¥214 million ($1,936 thousand) and ¥251 million, respectively.

The fair value of 2021 stock option is estimated using the Black-Scholes option-pricing model with the assumptions noted as follows in the table:

	2021 stock option
Volatility of stock price	**32.69%**
Estimated remaining outstanding period	**3.3 years**
Estimated dividend	**5.01%**
Risk-free interest rate	**(0.15)%**

The volatility of the stock price is based on the historical volatility of the Company's stock for the period equal to the option's estimated remaining outstanding period from the grant date. The estimated remaining outstanding period is based on the average term period and the average age as of retirement. The estimated dividend is based on the per share dividends of ¥25 ($0.22) made in the preceding year for the year ended March 31, 2021. The risk-free interest rate is based on the yield of government bonds having a remaining life equal to the option's estimated remaining outstanding period.

The stock option activity for the fiscal years ended March 31, 2021 and 2020, was as follows:

	2011 stock option	2012 stock option	2013 stock option	2014 stock option
	Number of shares*			
For the year ended March 31, 2020				
Outstanding at beginning of fiscal year	153,700	247,100	449,000	330,800
Granted				
Canceled or expired				
Exercised	83,800	68,700	166,000	102,100
Outstanding at end of fiscal year	69,900	178,400	283,000	228,700
Vested at end of fiscal year	69,900	178,400	283,000	228,700
For the year ended March 31, 2021				
Outstanding at beginning of fiscal year	**69,900**	**178,400**	**283,000**	**228,700**
Granted				
Canceled or expired				
Exercised	**17,800**	**68,700**	**43,200**	**40,200**
Outstanding at end of fiscal year	**52,100**	**109,700**	**239,800**	**188,500**
Vested at end of fiscal year	**52,100**	**109,700**	**239,800**	**188,500**

	2015 stock option	2016 stock option	2017 stock option	2018 stock option
	Number of shares*			
For the year ended March 31, 2020				
Outstanding at beginning of fiscal year	302,800	332,700	451,700	493,000
Granted				
Canceled or expired				
Exercised	53,600	25,700	27,100	24,100
Outstanding at end of fiscal year	249,200	307,000	424,600	468,900
Vested at end of fiscal year	249,200	307,000	424,600	468,900
For the year ended March 31, 2021				
Outstanding at beginning of fiscal year	**249,200**	**307,000**	**424,600**	**468,900**
Granted				
Canceled or expired				
Exercised	**34,800**	**65,400**	**84,600**	**27,800**
Outstanding at end of fiscal year	**214,400**	**241,600**	**340,000**	**441,100**
Vested at end of fiscal year	**214,400**	**241,600**	**340,000**	**441,100**

	2019 stock option	2020 stock option	**2021 stock option**
	Number of shares*		
For the year ended March 31, 2020			
Outstanding at beginning of fiscal year	414,200		
Granted		490,400	
Canceled or expired			
Exercised			
Outstanding at end of fiscal year	414,200	490,400	
Vested at end of fiscal year	414,200	490,400	
For the year ended March 31, 2021			
Outstanding at beginning of fiscal year	**414,200**	**490,400**	
Granted			**507,000**
Canceled or expired			
Exercised	**11,200**		
Outstanding at end of fiscal year	**403,000**	**490,400**	**507,000**
Vested at end of fiscal year	**403,000**	**490,400**	**507,000**

* 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. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Provision for doubtful receivables	**¥15,095**	¥8,043	**$135,991**
Employees' salaries, bonuses, and allowances	**25,053**	23,767	**225,707**
Other	**58,018**	58,299	**522,688**
Total	**¥98,166**	¥90,110	**$884,386**

19. Gain on Step Acquisition

The Company recognized a step acquisition gain on its existing holdings of IP Fukushima Onomachi Solar Power Generation LLC ("IP") and Bangchak Solar yield-co LLC ("Bangchak"), which engages in solar power generation, when IP and Bangchak became consolidated subsidiaries due to the additional silent partnership shares purchased by the Company for the year ended March 31, 2021.

The Company recognized a step acquisition gain on its existing holdings of Godo Kaisha White Rise Investment Inc. ("White Rise"), which engages in real estate leasing, and KMT Solar LLC ("KMT"), which engages in solar power generation, when White Rise and KMT became consolidated subsidiaries due to the additional silent partnership shares purchased by the Company for the year ended March 31, 2020.

20. Compensation Income

The Companies recognized a compensation income in association with a real estate redevelopment project for the year ended March 31, 2021.

The Companies recognized no compensation income for the year ended March 31, 2020.

21. Related-Party Transactions (As restated*)

* Refer to *3

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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Interest expense*1	**¥7,630**	¥8,769	**$68,739**
Interest expense (U.S. dollars)*1	**N/A**	N/A	**52,376**
Lease revenue	**17,511**	18,421	**157,758**

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

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, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Lease receivables and investments in leases*2	**¥117,140**	¥142,070	**$1,055,319**
Short-term loans	**33,000**	101,090	**297,297**
Short-term loans (U.S. dollars)	**N/A**	N/A	**100,000**
Long-term loans, including current maturities	**331,321**	276,790	**2,984,874**
Long-term loans, including current maturities (U.S. dollars)*3	**N/A**	N/A	**2,402,604**

*2 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.

*3 The balance of long-term loans (U.S. dollars) secured by the foregoing assets as of March 31, 2021 and 2020, were $1,302,604 thousand and $1,567,225 thousand, respectively. (This information was not previously disclosed)

22. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Deferred tax assets:			
Tax loss carryforwards	**¥61,441**	¥52,648	**$553,524**
Allowance for doubtful receivables	**10,908**	7,889	**98,274**
Advances received — leases	**5,744**	6,391	**51,750**
Asset retirement obligations	**5,783**	5,016	**52,099**
Other	**28,614**	27,033	**257,789**
Total of tax loss carryforwards and temporary differences	**112,491**	98,978	**1,013,438**
Less valuation allowance for tax loss carryforwards	**(2,801)**	(2,307)	**(25,239)**
Less valuation allowance for temporary differences	**(3,194)**	(2,427)	**(28,782)**
Total valuation allowance	**(5,996)**	(4,735)	**(54,022)**
Less deferred tax liabilities	**(97,733)**	(79,446)	**(880,484)**
Net deferred tax assets	**¥8,761**	¥14,797	**$78,931**

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	¥115,678	¥108,609	$1,042,149
Difference in assets and liabilities of newly consolidated subsidiaries between fair value and tax basis	7,490	8,287	67,482
Net unrealized gain on available-for-sale securities	13,602	7,473	122,543
Deferred revenues from certain finance lease transactions	6,263	6,255	56,428
Other	7,515	2,328	67,706
Total deferred tax liabilities	150,550	132,954	1,356,309
Less deferred tax assets	(97,733)	(79,446)	(880,484)
Net deferred tax liabilities	¥52,816	¥53,508	$475,825

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 and 2020, were as follows:

	Millions of yen				
March 31, 2021	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	¥348	¥2,224	¥2,641	¥56,226	¥61,441
Less valuation allowances for tax loss carryforwards		(1,011)	(1,532)	(257)	(2,801)
Net deferred tax assets relating to tax loss carryforwards*2	348	1,212	1,109	55,968	58,639

	Millions of yen				
March 31, 2020	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	¥14	¥1,777	¥2,578	¥48,277	¥52,648
Less valuation allowances for tax loss carryforwards		(688)	(1,293)	(325)	(2,307)
Net deferred tax assets relating to tax loss carryforwards*2	14	1,088	1,284	47,952	50,341

	Thousands of U.S. dollars				
March 31, 2021	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	$3,140	$20,043	$23,799	$506,541	$553,524
Less valuation allowances for tax loss carryforwards		(9,116)	(13,803)	(2,318)	(25,239)
Net deferred tax assets relating to tax loss carryforwards*2	3,140	10,927	9,995	504,222	528,284

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

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

Certain subsidiaries of the Company have tax loss carryforwards as stated above and those will mainly begin to expire in 2023.

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, 2021 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 rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2020 was as follows:

	2020
Normal effective statutory tax rate	30.6%
Difference in tax rate related to foreign subsidiaries	(4.6)
Effect of changes in companies subject to the Controlled Foreign Company (CFC) rules*	(2.4)
Amortization of goodwill	1.8
Other — net	1.8
Actual effective tax rate	27.2%

* Features of an income tax system designed to limit artificial deferral of tax by using offshore low taxed entities.

23. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Due within one year	**¥2,848**	¥3,182	**$25,658**
Due after one year	**4,267**	5,317	**38,449**
Total	**¥7,115**	¥8,499	**$64,108**

24. 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 25.

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

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

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

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

The Companies mainly conduct business of lease transactions, installment sales, and financial transactions. Some receivables related to leases, installment sales, and loans have fixed interest rates.

However, the Companies use some floating interest rate financing instruments, which expose them to interest rate risk.

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

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

Please see Note 25 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 Management Committee, and the Board of Directors. In addition, the Internal Audit department monitors and audits credit administration and management status.

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

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

(i) Interest rate fluctuation risk management

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

(ii) Quantitative information of market risk

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

In calculating the market risk and the VaR, the Companies adopt a historical simulation model (holding period, one year; confidence interval, 99.9%; and observation period, ten years). From the year ended March 31, 2021, the Companies tightened the confidence interval from 99% to 99.9% and observation period from five years to ten years. In addition, for the year ended March 31, 2021, the variance effect between interest rates and equity security prices is not considered and market risk VaR only reflects variance effects among interest rates as the equity securities are independently managed as price fluctuation risk, while the variance effect between interest rates and equity security prices were considered in market risk VaR for the year ended March 31, 2020.

The 10 BPV at March 31, 2021 and 2020, was ¥2,463 million ($22,198 thousand) and ¥2,840 million, respectively. The market risk VaR at March 31, 2021 and the aggregate VaR at March 31, 2020, was ¥35,845 million ($322,928 thousand) and ¥18,536 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 which estimates potential loss of portfolios over a certain period and according to a certain probability based on the past statistics

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

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

(c) Foreign exchange risk management

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

(d) Price fluctuation risk management

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

(e) Liquidity risk management on financing

The Companies monitor their cash management status as a whole and control the duration mixture of financing. Through maintaining commitment lines with multiple financial institutions and diversification of financing methods, the Companies endeavor to secure liquidity. Liquidity risk management related to financing is conducted based on the Companies' internal liquidity risk management rule monitoring the probability of realization of the risk under the current financing environment 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 ALM Committee every quarter. Credit risk due to nonfulfillment of contracts by counterparties is managed by setting individual credit limits according to the financing credit rating of the customer.

(4) Supplementary information on fair value of financial instruments

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

Regarding the fair value of financial instruments other than derivatives as of March 31, 2021 and 2020, see Note 25 for fair value information on derivatives.

	Millions of yen		
March 31, 2021	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	**¥286,213**	**¥286,213**	
Time deposits other than cash equivalents	**8,028**	**8,028**	
Receivables:			
Installment sales	**191,043**		
Deferred profit on installment sales	**(10,095)**		
Allowance for doubtful receivables	**(428)**		
Sub-total	**180,519**	**188,039**	**¥7,519**
Receivables:			
Loans	**1,079,885**		
Allowance for doubtful receivables	**(1,918)**		
Sub-total	**1,077,967**	**1,113,317**	**35,350**
Lease receivables and investments in leases	**1,414,106**		
Residual values of investments in leases	**(39,094)**		
Allowance for doubtful receivables	**(1,933)**		
Sub-total	**1,373,078**	**1,469,197**	**96,118**
Marketable and investment securities	**82,114**	**82,114**	
Long-term receivables	**39,269**		
Allowance for doubtful receivables	**(22,479)**		
Sub-total	**16,789**	**16,789**	
Total	**¥3,024,710**	**¥3,163,700**	**¥138,989**

Short-term loans from banks and other financial institutions	**¥236,730**	**¥236,730**	
Commercial paper	**434,171**	**434,171**	
Notes and accounts payable — trade	**81,000**	**81,000**	
Bonds	**1,224,206**	**1,239,403**	**¥15,196**
Loans from the securitizations of the minimum future rentals on lease contracts	**2,633,617**	**2,653,168**	**19,550**
Long-term loans from banks and other financial institutions	**106,230**	**106,331**	**100**
Total	**¥4,715,957**	**¥4,750,805**	**¥34,847**

March 31, 2020	Millions of yen Carrying amount	 Fair value	 Unrealized gain (loss)
Cash and cash equivalents	¥455,588	¥455,588	
Time deposits other than cash equivalents	10,639	10,639	
Receivables:			
Installment sales	227,280		
Deferred profit on installment sales	(12,740)		
Allowance for doubtful receivables	(562)		
Sub-total	213,978	223,888	¥9,910
Receivables:			
Loans	1,136,398		
Allowance for doubtful receivables	(2,685)		
Sub-total	1,133,713	1,166,589	32,876
Lease receivables and investments in leases	1,583,670		
Residual values of investments in leases	(42,225)		
Allowance for doubtful receivables	(2,456)		
Sub-total	1,538,988	1,633,318	94,330
Marketable and investment securities	62,157	62,157	
Long-term receivables	24,693		
Allowance for doubtful receivables	(13,806)		
Sub-total	10,887	10,887	
Total	¥3,425,953	¥3,563,069	¥137,116

Short-term loans from banks and other financial institutions	¥454,137	¥454,137	
Commercial paper	762,100	762,100	
Notes and accounts payable — trade	74,918	74,918	
Bonds	1,169,553	1,185,824	¥16,270
Loans from the securitizations of the minimum future rentals on lease contracts	135,781	136,014	233
Long-term loans from banks and other financial institutions	2,409,120	2,447,863	38,743
Total	¥5,005,610	¥5,060,858	¥55,247

March 31, 2021	Carrying amount	Fair value	Unrealized gain (loss)
	Thousands of U.S. dollars		
Cash and cash equivalents	$2,578,497	$2,578,497	
Time deposits other than cash equivalents	72,328	72,328	
Receivables:			
Installment sales	1,721,115		
Deferred profit on installment sales	(90,953)		
Allowance for doubtful receivables	(3,859)		
Sub-total	1,626,302	1,694,049	$67,747
Receivables:			
Loans	9,728,695		
Allowance for doubtful receivables	(17,281)		
Sub-total	9,711,414	10,029,891	318,476
Lease receivables and investments in leases	12,739,696		
Residual values of investments in leases	(352,200)		
Allowance for doubtful receivables	(17,416)		
Sub-total	12,370,078	13,236,012	865,933
Marketable and investment securities	739,768	739,768	
Long-term receivables	353,778		
Allowance for doubtful receivables	(202,521)		
Sub-total	151,256	151,256	
Total	$27,249,647	$28,501,805	$1,252,157
Short-term loans from banks and other financial institutions	$2,132,706	$2,132,706	
Commercial paper	3,911,450	3,911,450	
Notes and accounts payable — trade	729,737	729,737	
Bonds	11,028,890	11,165,798	$136,907
Loans from the securitizations of the minimum future rentals on lease contracts	23,726,283	23,902,416	176,132
Long-term loans from banks and other financial institutions	957,035	957,937	902
Total	$42,486,103	$42,800,047	$313,943

The methodologies and assumptions used to estimate the fair values of financial instruments are summarized below:

Cash and cash equivalents and time deposits other than cash equivalents

The carrying values of cash and cash equivalents and time deposits other than cash equivalents approximate fair value because of their short maturities.

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 and based on the same internal rating and periods.

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.

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.

(*) As to the lease receivables and investments in leases involved in the foreign exchange forward contracts that qualify for hedge accounting and meet specific matching criteria, the amount to be received is exchanged at the contract rate (see Note 25).

Marketable and investment securities

The fair values of equity securities are measured at the quoted market price of the stock exchanges, or determined by discounting the future cash flows at a certain discount rate. The carrying values of debt securities and trust beneficiary 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 and trust beneficiary interests with fixed interest rates are determined by discounting the cash flows at a certain discount rate. Information on the fair value of the marketable and investment securities by classification is included in Note 4.

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.

Short-term loans from banks and other financial institutions

The carrying values of short-term loans from banks and other financial institutions approximate fair value because of their short-term settlement period.

Commercial paper

The carrying values of commercial paper approximate fair value because of its short-term settlement period.

Notes and accounts payable — trade

The carrying values of notes and accounts payable — trade approximate fair value because of their short-term settlement period.

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 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.

Loans from the securitizations of the minimum future rentals on lease contracts

The carrying values of loans from the securitizations of the minimum future rentals on lease contracts settled in the short-term approximate fair value.

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

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.

(*) 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 (see Note 25).

Derivatives
Information regarding the fair value of derivatives is included in Note 25.

Financial instruments whose fair value is not readily determinable
Nonmarketable securities as of March 31, 2021 and 2020, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Shares of subsidiaries and associated companies	**¥85,594**	¥67,627	**$771,119**
Unlisted shares	**28,608**	25,909	**257,737**
Trust beneficiary interests	**2,068**	1,634	**18,634**
Silent partnership interests and other	**164,874**	157,438	**1,485,357**
Total	**¥281,146**	¥252,609	**$2,532,848**

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

	Millions of yen					
March 31, 2021	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	**¥286,213**					
Time deposits other than cash equivalents	**8,028**					
Receivables						
Installment sales (1)	**62,736**	**¥47,034**	**¥35,091**	**¥21,420**	**¥11,463**	**¥13,296**
Loans	**266,664**	**162,365**	**133,563**	**121,203**	**96,904**	**299,183**
Lease receivables and investments in leases (2)	**415,769**	**345,365**	**265,016**	**182,942**	**118,628**	**378,711**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**1**	**101**	**607**	**9,544**	**355**	
Other	**5,467**	**23,200**	**13,394**	**24,495**	**6,983**	**56,930**
Total	**¥1,044,881**	**¥578,067**	**¥447,673**	**¥359,606**	**¥234,336**	**¥748,122**

March 31, 2020	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	¥455,588					
Time deposits other than cash equivalents	10,639					
Receivables						
Installment sales (1)	74,744	¥54,266	¥39,901	¥27,916	¥14,338	¥16,113
Loans	264,371	190,458	138,315	119,386	103,116	320,750
Lease receivables and investments in leases (2)	469,597	375,224	296,909	214,738	137,936	380,668
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	101	1	101	609	9,406	357
Other	718	15,655	25,405	6,195	14,411	49,510
Total	¥1,275,761	¥635,605	¥500,634	¥368,846	¥279,210	¥767,400

March 31, 2021	Thousands of U.S. dollars Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	**$2,578,497**					
Time deposits other than cash equivalents	**72,328**					
Receivables						
Installment sales (1)	**565,197**	**$423,734**	**$316,142**	**$192,975**	**$103,278**	**$119,787**
Loans	**2,402,378**	**1,462,754**	**1,203,274**	**1,091,927**	**873,012**	**2,695,348**
Lease receivables and investments in leases (2)	**3,745,671**	**3,111,397**	**2,387,538**	**1,648,134**	**1,068,726**	**3,411,815**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**14**	**915**	**5,471**	**85,983**	**3,203**	
Other	**49,256**	**209,015**	**120,672**	**220,676**	**62,915**	**512,886**
Total	**$9,413,343**	**$5,207,817**	**$4,033,099**	**$3,239,697**	**$2,111,136**	**$6,739,838**

(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.

25. Derivatives

Derivative transactions to which hedge accounting is not applied as of March 31, 2021 and 2020, were as follows:

	Millions of yen							
	2021				2020			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Currency interest rate swap contracts:								
U.S. dollars payment, Japanese yen receipt	**¥80,000**	**¥70,000**	**¥ (2,046)**	**¥ (2,046)**	¥50,000	¥50,000	¥419	¥419
Indonesia rupiah payment, Japanese yen receipt	**1,100**		**100**	**100**	1,524	1,100	77	77
Chinese yuan payment, U.S. dollars receipt	**734**	**375**	**9**	**9**				
Interest rate swap contracts:								
Fixed-rate payment, floating-rate receipt	**330**	**198**	**(10)**	**(10)**	462	330	(20)	(20)

	Thousands of U.S. dollars			
	2021			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Currency interest rate swap contracts:				
U.S. dollars payment, Japanese yen receipt	**$720,720**	**$630,630**	**$(18,436)**	**$(18,436)**
Indonesia rupiah payment, Japanese yen receipt	**9,909**		**907**	**907**
Chinese yuan payment, U.S. dollars receipt	**6,620**	**3,383**	**84**	**84**
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	**2,972**	**1,783**	**(94)**	**(94)**

Derivative transactions to which hedge accounting is applied as of March 31, 2021 and 2020, were as follows:

		Millions of yen		
		2021		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Thai baht payment, Japanese yen receipt	Long-term loans, bonds	**¥5,500**	**¥5,500**	**¥(216)**
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**15,675**	**10,473**	**(1,656)**
Indonesia rupiah payment, Japanese yen receipt	Long-term loans	**1,000**		**41**
Indonesia rupiah payment, U.S. dollars receipt	Long-term loans	**11,031**	**6,809**	**(650)**
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Long-term loans	**240**	**4**	
Euro payment, Thai baht receipt	Long-term loans	**274**	**216**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**201**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans	**321,946**	**266,937**	**(16,778)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**5,000**		
Fixed-rate payment, floating-rate receipt	Long-term loans	**199,657**	**171,330**	

		Millions of yen		
		2020		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Thai baht payment, Japanese yen receipt	Bonds	¥3,000	¥3,000	¥(253)
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	20,847	12,798	(2,138)
Indonesia rupiah payment, Japanese yen receipt	Long-term loans	1,000	1,000	(30)
Indonesia rupiah payment, U.S. dollars receipt	Long-term loans	15,674	10,675	(624)
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	16		(0)
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Long-term loans	3,340	377	
Euro payment, Thai baht receipt	Long-term loans	417	290	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	1,094		
Selling U.S. dollars	Time deposits	15,350		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans	367,400	310,433	(5,833)
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	5,000	5,000	
Fixed-rate payment, floating-rate receipt	Long-term loans	265,522	211,160	

	Hedged item	Thousands of U.S. dollars 2021 Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Thai baht payment, Japanese yen receipt	Long-term loans, bonds	**$49,549**	**$49,549**	**$(1,951)**
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**141,219**	**94,358**	**(14,923)**
Indonesia rupiah payment, Japanese yen receipt	Long-term loans	**9,009**		**372**
Indonesia rupiah payment, U.S. dollars receipt	Long-term loans	**99,382**	**61,348**	**(5,861)**
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Long-term loans	**2,163**	**43**	
Euro payment, Thai baht receipt	Long-term loans	**2,476**	**1,950**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**1,816**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans	**2,900,418**	**2,404,839**	**(151,159)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**45,045**		
Fixed-rate payment, floating-rate receipt	Long-term loans	**1,798,715**	**1,543,515**	

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 long-term loans from banks and other financial institutions, bonds, lease receivables, and payables — trade, recorded in the consolidated balance sheets at March 31, 2021 and 2020, and included in the fair value of hedged items.

26. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Net unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥35,633**	¥(13,729)	**$321,022**
Reclassification adjustments to loss	**(9,659)**	(1)	**(87,018)**
Amount before income tax effect	**25,974**	(13,730)	**234,003**
Income tax effect	**(6,128)**	3,409	**(55,212)**
Total	**19,845**	(10,321)	**178,791**
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	**(17,849)**	(10,691)	**(160,803)**
Reclassification adjustments to profit	**4,458**	261	**40,166**
Amount before income tax effect	**(13,390)**	(10,430)	**(120,637)**
Income tax effect	**2,874**	2,029	**25,893**
Total	**(10,516)**	(8,400)	**(94,743)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**(14,067)**	(5,351)	**(126,736)**
Reclassification adjustments	**(126)**		**(1,140)**
Amount before income tax effect	**(14,194)**	(5,351)	**(127,877)**
Income tax effect			
Total	**(14,194)**	(5,351)	**(127,877)**
Defined retirement benefit plans:			
Adjustments arising during the year	**(9)**	(458)	**(89)**
Reclassification adjustments to profit	**490**	430	**4,419**
Amount before income tax effect	**480**	(28)	**4,330**
Income tax effect	**(150)**	17	**(1,353)**
Total	**330**	(10)	**2,977**
Share of other comprehensive income in associates:			
Gains arising during the year	**327**	114	**2,946**
Reclassification adjustments to profit	**455**	98	**4,104**
Total	**782**	213	**7,051**
Total other comprehensive loss	**¥(3,751)**	¥(23,869)	**$(33,800)**

27. Segment Information

Under ASBJ Statement No. 17, *Accounting Standard for Segment Information Disclosures,* and ASBJ Guidance No. 20, *Guidance on Accounting Standard for Segment Information Disclosures*, 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

In light of the business division system introduced in the previous Medium-term Management Plan, the Companies has launched an initiative whereby each Customer Business and business division develops its own management plan and implements a PDCA cycle, and has set up a system to use financial information by such unit to evolve strategies; and accordingly, the Companies made changes in reportable segments, etc.

As a result, effective April 1, 2020, the reportable segments have been changed from two segments of "Customer Finance" and "Asset Finance" to seven segments of "Customer Business," "Environment & Energy," "Healthcare," "Real Estate," "Aviation," "Logistics," and "Infrastructure & Investment," and segment profit was changed from operating income to net income attributable to owners of the parent.

Description of new reportable segments are as follows:

	Reportable segment	Description of services and business
1	Customer Business	Equipment leasing and finance Sale and purchase of used equipment
2	Environment & Energy	Power generation by renewable energy Environment-related equipment leasing and finance Energy Service Company (ESCO) business
3	Healthcare	Medical equipment leasing and finance Sale and purchase of used medical equipment Consulting services for new medical equipment installation and management support
4	Real Estate	Real estate leasing and finance Real estate securitization, Real estate revitalization investment
5	Aviation	Aircraft leasing Aircraft engine leasing
6	Logistics	Marine container leasing Railway freight car leasing Ship finance Auto leasing
7	Infrastructure & Investment	Investment and financing to social infrastructure Private Finance Initiative (PFI)* business Corporate investment business

* A procurement method which uses private sector investment in order to deliver public sector infrastructure and/or services according to a specification defined by the public sector.

Reclassifications have been made to the segment information for the year March 31, 2020 to conform to the new reportable segments.

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."

Certain foreign consolidated subsidiaries applied *Leases* (IFRS No. 16, issued by IASB) for the year ended March 31, 2020, as discussed in Note 2.r. The effect of this change on segment profit was immaterial.

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

	Millions of yen									
	Reportable segment									
Year Ended March 31, 2021	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total	Adjustments (1) (2)	Consolidated
Revenues:										
Revenue from external customers	**¥ 506,566**	**¥17,902**	**¥39,157**	**¥155,537**	**¥ 127,493**	**¥41,431**	**¥3,447**	**¥ 891,535**	**¥2,806**	**¥894,342**
Intersegment revenue or transfers.......	**386**			**176**				**562**	**(562)**	
Total	**506,952**	**17,902**	**39,157**	**155,713**	**127,493**	**41,431**	**3,447**	**892,098**	**2,244**	**894,342**
Segment profit...........	**25,567**	**3,734**	**741**	**28,037**	**2,807**	**1,878**	**304**	**63,072**	**(7,741)**	**55,330**
Segment assets...........	**2,127,064**	**198,592**	**157,373**	**955,654**	**1,203,858**	**545,525**	**111,688**	**5,299,758**	**710,072**	**6,009,831**
Other items:										
Depreciation ..	**48,823**	**6,115**	**932**	**8,808**	**64,933**	**17,411**	**46**	**147,072**	**1,448**	**148,520**
Amortization of goodwill ..	**645**			**500**	**2,546**	**56**		**3,749**	**2,117**	**5,866**
Cost of funds and interest expense........	**17,643**	**2,643**	**414**	**6,889**	**28,864**	**13,337**	**2,330**	**72,122**	**(5,498)**	**66,623**
Equity in earnings of affiliates.......	**684**	**590**		**(54)**	**159**	**1,822**	**59**	**3,261**		**3,261**
Other income .	**13,496**	**1,395**	**15**	**3,544**				**18,451**	**6**	**18,457**
(Gain on sales of investment securities)	**9,952**		**15**	**56**				**10,023**	**6**	**10,029**
(Gain on sales of shares of subsidiaries and affiliates)	**431**							**431**		**431**
(Gain on step acquisition)..		**1,395**						**1,395**		**1,395**
(Compensation income).				**3,488**				**3,488**		**3,488**
(Gain on sales of own-used assets)..........	**3,112**							**3,112**		**3,112**
Other expenses	**86**				**156**			**242**		**242**
(Loss on sales of investment securities)	**86**				**156**			**242**		**242**
Taxes............	**9,575**	**873**	**388**	**12,551**	**4,484**	**192**	**246**	**28,311**	**(1,936)**	**26,375**
Investments in equity method affiliates.......	**15,044**	**11,292**		**22,108**	**2,484**	**21,967**	**43,181**	**116,078**		**116,078**
Increase in property and equipment and intangible assets..........	**31,806**	**22,597**	**4,132**	**19,180**	**102,278**	**56,853**		**236,848**	**2,951**	**239,799**

Year Ended March 31, 2020	Millions of yen									
	Reportable segment									
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total	Adjustments (1) (2)	Consolidated
Revenues:										
Revenue from external customers	¥ 552,043	¥15,702	¥39,105	¥136,578	¥135,471	¥ 40,211	¥ 1,949	¥921,063	¥2,705	¥923,768
Intersegment revenue or transfers.......	203			208		42		454	(454)	
Total	552,246	15,702	39,105	136,787	135,471	40,253	1,949	921,517	2,251	923,768
Segment profit	16,869	3,351	661	24,902	24,932	980	698	72,396	(1,641)	70,754
Segment assets...........	2,362,937	185,035	152,654	980,124	1,162,335	522,304	95,485	5,460,876	825,090	6,285,966
Other items:										
Depreciation ..	49,476	4,212	899	8,532	52,068	15,883		131,074	2,620	133,694
Amortization of goodwill ..	659			500	2,595	58		3,813	2,117	5,931
Cost of funds and interest expense........	20,985	1,967	367	5,782	27,868	13,970	1,552	72,494	(7,779)	64,714
Equity in earnings of affiliates.......	587	407	1	86	163	1,164	857	3,269		3,269
Other income .	1,355	48		3,385				4,789	240	5,030
(Gain on sales of investment securities)	1,353							1,353	5	1,358
(Gain on sales of shares of subsidiaries and affiliates)									237	237
(Gain on step acquisition)..		48		3,385				3,433		3,433
Other expenses	320							320	(11)	308
(Loss on valuation of investment securities)	301							301	7	308
Taxes............	8,720	1,456	389	11,906	8,665	(204)	(132)	30,802	(3,870)	26,931
Investments in equity method affiliates.......	10,524	7,022		18,176	2,631	20,784	30,822	89,962		89,962
Increase in property and equipment and intangible assets...........	53,091	13,202	597	74,135	201,372	100,639		443,038	4,363	447,402

Year Ended March 31, 2021	Thousands of U.S. dollars									
	Reportable segment									
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total	Adjustments (1) (2)	Consolidated
Revenues:										
Revenue from external customers	$4,563,660	$161,279	$352,767	$1,401,241	$1,148,593	$373,256	$31,056	$8,031,855	$25,287	$8,057,143
Intersegment revenue or transfers.......	3,483			1,585				5,069	(5,069)	
Total	4,567,143	161,279	352,767	1,402,827	1,148,593	373,256	31,056	8,036,925	20,217	8,057,143
Segment profit	230,335	33,642	6,683	252,593	25,291	16,925	2,746	568,219	(69,747)	498,471
Segment assets...........	19,162,743	1,789,118	1,417,780	8,609,504	10,845,576	4,914,645	1,006,201	47,745,570	6,397,053	54,142,624
Other items:										
Depreciation ..	439,852	55,096	8,403	79,355	584,982	156,863	420	1,324,975	13,045	1,338,020
Amortization of goodwill ..	5,817			4,508	22,941	509		33,776	19,075	52,852
Cost of funds and interest expense........	158,952	23,810	3,737	62,064	260,036	120,156	20,993	649,751	(49,537)	600,214
Equity in earnings of affiliates.......	6,167	5,315		(490)	1,433	16,418	537	29,380		29,380
Other income .	121,590	12,568	135	31,932				166,227	56	166,283
(Gain on sales of investment securities)	89,660		135	507				90,302	56	90,359
(Gain on sales of shares of subsidiaries and affiliates)	3,891							3,891		3,891
(Gain on step acquisition)..		12,568						12,568		12,568
(Compensation income).				31,425				31,425		31,425
(Gain on sales of own-used assets)..........	28,039							28,039		28,039
Other expenses	776				1,405			2,181		2,181
(Loss on sales of investment securities)	776				1,405			2,181		2,181
Taxes............	86,263	7,866	3,498	113,073	40,403	1,737	2,216	255,059	(17,442)	237,617
Investments in equity method affiliates.......	135,536	101,730		199,173	22,385	197,906	389,018	1,045,750		1,045,750
Increase in property and equipment and intangible assets...........	286,548	203,578	37,225	172,794	921,428	512,190		2,133,767	26,587	2,160,354

Notes:

(1) “Adjustments” in revenues contain mainly revenues from system development contract, which are not attributed to each reportable segment.

“Adjustments” in segment profit contain mainly Company-wide expenses included in selling, general and administrative expenses, which are not attributed to each reportable segment.

“Adjustments” in segment assets contain mainly the assets other than which are attributed to each reportable segment, such as cash and cash equivalents, own-used assets and goodwill when Diamond Lease Company

Limited and UFJ Central Leasing Company Limited merged and became Mitsubishi UFJ Lease & Finance Company Limited in 2007.

(2) "Adjustments" for segment profit are adjusted 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, which are attributed to each reportable segment.

4. Information about products and services

	Millions of yen				
	2021				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥722,328**	**¥67,906**	**¥37,487**	**¥66,620**	**¥894,342**

	Millions of yen				
	2020				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥740,085	¥75,099	¥40,356	¥68,227	¥923,768

	Thousands of U.S. dollars				
	2021				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$6,507,466**	**$611,768**	**$337,727**	**$600,180**	**$8,057,143**

5. Information about geographical areas

(1) Revenues

Millions of yen					
2021					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥692,011	**¥58,592**	**¥60,615**	**¥69,934**	**¥13,188**	**¥894,342**

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

Millions of yen					
2020					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥713,082	¥55,392	¥58,190	¥79,932	¥17,170	¥923,768

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

Thousands of U.S. dollars					
2021					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$6,234,337	**$527,859**	**$546,087**	**$630,040**	**$118,818**	**$8,057,143**

(2) Property and equipment

Millions of yen						
2021						
	North America		Europe/ Middle and Near East			
Japan	United States	Other		Asia/Oceania	Other	Total
¥658,345	**¥386,630**	**¥96,601**	**¥503,980**	**¥470,895**	**¥152,766**	**¥2,269,220**

Millions of yen						
2020						
	North America		Europe/ Middle and Near East			
Japan	United States	Other		Asia/Oceania	Other	Total
¥669,708	¥343,687	¥100,701	¥447,444	¥509,538	¥154,290	¥2,225,371

Thousands of U.S. dollars						
2021						
	North America		Europe/ Middle and Near East			
Japan	United States	Other		Asia/Oceania	Other	Total
$5,931,039	**$3,483,155**	**$870,282**	**$4,540,366**	**$4,242,305**	**$1,376,276**	**$20,443,425**

6. Information about impairment loss for long-lived assets

	Millions of yen									
	2021									
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total	Adjustments	Consolidated
Impairment loss............					**¥2,578**			**¥2,578**		**¥2,578**

	Thousands of U.S. dollars									
	2021									
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total	Adjustments	Consolidated
Impairment loss............					**$23,230**			**$23,230**		**$23,230**

Impairment loss is recorded in costs.

No impairment loss was recognized in 2020.

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

	Millions of yen									
	2021									
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total	Adjustments (1) (2)	Consolidated
Amortization of goodwill.........	**¥645**			**¥500**	**¥2,546**	**¥56**		**¥3,749**	**¥2,117**	**¥5,866**
Unamortized balance of goodwill.........	**11,261**			**2,669**	**29,907**	**734**		**¥44,573**	**12,704**	**57,277**

	Millions of yen									
	2020									
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total	Adjustments (1) (2)	Consolidated
Amortization of goodwill.........	¥659			¥500	¥2,595	¥58		¥3,813	¥2,117	¥5,931
Unamortized balance of goodwill.........	12,583			3,169	34,161	844		50,758	14,821	65,580

	Thousands of U.S. dollars									
	2021									
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Total	Adjustments (1) (2)	Consolidated
Amortization of goodwill.........	**$5,817**			**$4,508**	**$22,941**	**$509**		**$33,776**	**$19,075**	**$52,852**
Unamortized balance of goodwill.........	**101,459**			**24,045**	**269,439**	**6,618**		**401,561**	**114,455**	**516,017**

28. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2021 and 2020, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2021	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders..........................	**¥55,330**	**891,207**	**¥62.08**	**$0.55**
Effect of dilutive securities:				
Warrants		**3,334**		
Diluted EPS				
Net income for computation.......	**¥55,330**	**894,541**	**¥61.85**	**$0.55**

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2020	Net income attributable to owners of the parent	Weighted-average shares	EPS
Basic EPS			
Net income available to common shareholders..........................	¥70,754	890,713	¥79.44
Effect of dilutive securities:			
Warrants		3,333	
Diluted EPS			
Net income for computation.......	¥70,754	894,046	¥79.14

29. Subsequent Events

a. On May 17, 2021, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥12.75 ($0.11) per share	**¥11,366**	**$102,398**

b. Business integration with Hitachi Capital Corporation

Effective April 1, 2021, Mitsubishi UFJ Lease & Finance Company Limited (“Mitsubishi UFJ Lease”) and Hitachi Capital Corporation (“Hitachi Capital”) integrated their businesses (the “Business Integration”) and changed the company name to Mitsubishi HC Capital Inc.

1. Outline of the business combination

(1) Name and business description and size of the acquired company

Name: Hitachi Capital Corporation

Business description: Leasing service, installment sales, other financial services, and service business

Size: Year ended March 31, 2021 (reference information)

Consolidated basis (IFRS)	Millions of yen	Thousands of U.S. dollars
Revenues	¥467,176	$4,208,795
Net income	33,195	299,056
Total assets	3,811,002	34,333,356
Total equity	439,338	3,958,000
Number of employees	5,563	

Non-consolidated basis (JGAAP)	Millions of yen	Thousands of U.S. dollars
Net sales	¥36,007	$324,387
Net income	14,657	132,051
Total assets	1,615,518	14,554,224
Total net asset	240,676	2,168,255
Number of employees	930	

(2) Reason and objective of the business combination

(Background of the Business Integration)

(a) Changes in social situation

In recent years, there have been drastic changes in the external environment as well as the accelerating trends and megatrends influencing domestic and international economies in the long term, such as climate change and shortages of resources, de-carbonization to break dependence on resources and fossil fuels, demographic changes, technological innovation, urbanization, the shifting of power of the global economy, and global multi-polarization.

Further, the COVID-19 pandemic has caused a paradigm shift in economy and society at large, which is expected to promote qualitative restructuring of supply chains, digitalization to adapt to a data economy, and shifts from mass production and consumption to a circular economy in corporate activities.

(b) Perception of challenges

In connection with these changes in the external environment, the roles required for leasing companies are changing to solve social issues through business investments and operations in addition to conventional leases and finances.

Moreover, in both during and after the COVID-19 pandemic, business models at an industry level are expected to change rapidly at a speed exceeding all expectations. In such circumstances where all companies need to adapt to the environmental changes, the prominence of leasing companies, holding various asset-related functions and offering flexible services that are not limited to financial functions, will increase further.

As both companies have been closely cooperating with various industries, they have reached a conclusion that, while regarding these drastic environmental changes in society and the relevant industries as new business opportunities, it is necessary to further expand the operational bases and to strengthen the financial bases of both companies to contribute to various customers and local communities and to create social value.

(Purposes of the Business Integration)

Until the integration, the two companies have aimed to create social value for the realization of a rich society that can adapt to environment change and to sustainably enhance corporate value through such value creation, as stated in the medium- to long-term corporate vision statements of their respective medium-term management plans. With the Business Integration, the two companies will realize (i) complementing each other’s business domains, (ii) strengthening their management bases, and (iii) creating new value based on (i) and (ii) and grow stronger, by developing the business as an integrated entity under a unified vision and philosophy.

(i) Complementing each other's business domains
By building ideal, mutually complementary relationships, the new integrated company will establish an extensive and comprehensive lineup of businesses, and achieve diversification in its portfolios in terms of both business domains and geographical areas. This will help the new integrated company not only to establish a solid and stable revenue structure that will be less susceptible to the external environment but also to increase profitability by expanding investment activities utilizing its enhanced capabilities.

(ii) Strengthening the management base
The new integrated company aims to build strong management base which will support sustainable growth by concentrating the management resources and expertise, which are sources of corporate competitiveness, via utilization and enhancement of human resources, utilization of partner networks, reinforcement of financial bases, advancement of risk management, and promotion of digitalization.

(iii) Creating new value
The new integrated company is intended to offer new value beyond the framework of traditional leasing companies to customers by entering into new business domains and geographical areas, as well as strengthening and expanding the focal business domains.

Due to the Business Integration, the Company will be one of the largest global players in the industry in terms of both its size and business domains. The Company will utilize its expanding scale and accumulating capital and accurately capture the changing needs of its customers and local communities around the world, to develop into a company that can provide solutions to modern social issues.

(3) Date of the business combination
April 1, 2021

(4) Legal form of the business combination
An absorption-type merger in which Mitsubishi UFJ Lease will be the surviving company, and Hitachi Capital will be the merged company

(5) Company name after the business combination
Mitsubishi HC Capital Inc.

2. Details of acquisition cost and consideration by type

		Millions of yen	Thousands of U.S. dollars
Consideration	Fair value on the business combination date of common stock held immediately before the business combination	**¥16,725**	**$150,676**
Consideration	Fair value of common stock of the Company issued on the business combination date	**381,480**	**3,436,758**
Acquisition cost		**398,205**	**3,587,435**

3. Exchange ratio by share class and its calculation method and the number of shares issued

(1) Exchanged ratio by share class

Company name	Mitsubishi UFJ Lease (the surviving company)	Hitachi Capital (the merged company)
Merger ratio	1	5.10
Number of shares issued in relation to the Business Integration	Common stock: 571,078,084 shares	

(2) Method to calculate share exchange ratio

In order to ensure fairness of the merger ratio, both companies individually appointed a third party valuation institute to calculate the merger ratio, and Mitsubishi UFJ Lease has appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Hitachi Capital has appointed Goldman Sachs Japan Co., Ltd.

After careful and repeated negotiations and discussions about the merger ratio considering financial situations and recent trends of performance and stock prices, etc. of both companies, by reference to the calculation results provided by their respective valuation institutes, Mitsubishi UFJ Lease and Hitachi Capital have eventually determined that the above merger ratio was appropriate and would contribute to the benefit of their respective shareholders, and agreed on the ratio.

4. Details and amount of major acquisition-related cost

	Millions of yen	Thousands of U.S. dollars
Fees and commissions for advisory services, etc.	**¥6,494**	**$58,510**

5. The amount of goodwill recognized, reason for recognition, amortization method and the period or the amount of negative goodwill recognized and reason for recognition

It is not yet determined as the Company is currently calculating it.

c. Sale of Investment Securities

The Company decided to transfer a part of investment securities held under the cross-shareholding system to improve asset efficiency and sold the investment securities (One stock) on June 18, 2021.

The gain on sale of investment securities of ¥26,754 million ($241,027 thousand) is expected to be recorded as other income in the first quarter of the fiscal year ending March 31, 2022.

d. Execution of Merger Agreement concerning Acquisition of CAI International, Inc.

At the Board of Director's meeting held on June 18, 2021, the Company resolved to acquire all the outstanding shares of CAI International, Inc. ("CAI") by a "reverse triangular merger", where Cattleya Acquisition Corp. (Delaware, "Cattleya Acquisition"), the Company's wholly-owned subsidiary established in the U.S. for the acquisition, merges with CAI. The Company, Cattleya Acquisition and CAI executed a merger agreement.

1. Outline of business combination

(1) Name and business of the acquired company

Name: CAI International, Inc.
Business: Marine container leasing business

(2) Reason for acquisition

The Company decided to acquire CAI to boost "global assets", which is the business domain that the Company emphasizes as a growth driver under the medium- to long-term corporate vision. CAI is one of the world's leading marine container leasing companies with fifth in the global share (TEU* base) and has an advantage in worldwide sites of marketing and operating, and global platform of container depots. Together with Beacon Intermodal Leasing, LLC, a subsidiary of the Company in marine container leasing business, the Company and its group reach the second largest in numbers of containers held in the world. The Company plans to increase revenue and accelerate the growth by utilizing the platforms and integrating experience, expertise and knowledge of both companies. The Company will aim to enhance the global competitiveness in the marine container leasing business, seize growth opportunities, and will strengthen it as the driver of the medium- to long-term growth of the entire group.

*TEU: one twenty-foot equivalent unit

(3) Scheduled date of the business combination

In the second quarter or third quarter of the fiscal year ending March 31, 2022

(4) Legal form of the business combination

Acquisition by “reverse triangular merger” in exchange for cash

(5) Company name after the business combination

CAI International, Inc. (remain the same)

(6) The percentage of voting rights acquired

100%

(7) Background for determining the acquiring company

The reason is because the Company will acquire the majority of voting rights of CAI by merger agreement.

2. Details of acquisition cost of the acquired company

Total acquisition cost, including consideration, fees and commissions for advisory services, is expected to be $1,108 million.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Mitsubishi HC Capital Inc. (formerly, Mitsubishi UFJ Lease & Finance Company Limited) and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheets as of March 31, 2021 and 2020, 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, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 29 to the consolidated financial statements, Mitsubishi UFJ Lease & Finance Company Limited merged with Hitachi Capital Corporation effective April 1, 2021.

Our opinion is not modified in respect of this matter.

Member of
Deloitte Touche Tohmatsu Limited

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 the key audit matters, the basis of our determination and the matters addressed in the audit are as follows:

<table>
<tr><th colspan="2">Impairment judgment on the aircraft held as leased assets</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As discussed in Note 2.t. to the consolidated financial statements, the aircraft held by JSA International Holdings, L.P. ("JSA") located in the United States ("US") of ¥832,416 million were recorded as leased assets in the consolidated balance sheet as of March 31, 2021.

The Group performs an impairment evaluation for the aircraft in accordance with accounting principles generally accepted in the US as follows:

(1) For each aircraft, comparing the carrying amount 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 amount is compared to the fair value of aircraft. The amount by which the carrying value exceeded the fair value is recorded as an impairment loss.

As a result, the Group recorded the impairment loss of ¥1,691 million in costs in consolidated statement of income for the year ended March 31, 2021.</td><td>Our audit procedures related to the impairment judgment on the aircraft held by JSA as leased assets included the following audit procedures, among others:

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

➢ Inquired of the official in charge of the Aviation Division about the business environment surrounding JSA.

➢ Inquired of the manager of the Aviation Division 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 the management of JSA about the current business environment and any changes to the assumptions used in the undiscounted future cash flows analysis given the impacts of COVID-19.

➢ Inspected the external appraisal reports obtained by management on the future lease rents and disposal values at maturity and assessed the competencies and objectivity of the third-party appraisers.</td></tr>
</table>

The undiscounted future cash flows used in the impairment evaluation by management are estimated based on assumptions such as current lease rents, future lease rents, residual values at maturity, disposal costs, lease terms, off-lease periods and renewal lease terms. The aviation industry has been impacted by the COVID-19 and JSA has received short-term lease payment deferral requests. The judgments made in the impairment evaluation involve the uncertainty of accounting estimates regarding certain assumptions such as future lease rents, off-lease periods and disposal 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 that the impairment judgment on the aircraft held by JSA as leased assets to be a key audit matter.	➢ Compared the current lease rate of the lease agreement renewed or amended during the current year with the rates of the appraisal reports obtained in the prior year to examine the reasonableness of the third-party appraisers. ➢ 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 extend the off-lease period. ➢ Evaluated the assumptions, such as future lease rents and off lease periods used in the impairment judgment of the aircraft leased to bankruptcies by comparing the assumptions with the current business environment surrounding the lessee. ➢ Performed sensitivity analysis on the undiscounted future cash flows.

Impairment judgment of goodwill of ENGS engaged vendor financing in the US	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As discussed in Note 2.t. to the consolidated financial statements, the Group recorded goodwill of ¥11,261 million relating to the acquisition of ENGS Holdings Inc. ("ENGS"), which engages in vendor financing, in the consolidated balance sheet as of March 31, 2021. ENGS was affected by COVID-19, and the Group identified impairment indicators for goodwill on ENGS. The Group compared the total carrying amount of the asset group including the goodwill on ENGS' balance sheet to the total of the undiscounted future cash flows over the remaining amortization period of the goodwill calculated based on the business plan. As a result, the Group decided not to recognize an impairment loss because the total carrying amount did not exceed the total of the undiscounted future cash flows.	Our audit procedures related to the impairment judgment on the goodwill included the following, among others: ➢ Evaluated the design and operating effectiveness of internal controls over the estimation of undiscounted future cash flows used in impairment evaluation for goodwill. ➢ Inquired of the official in charge of the Overseas Customer Business to understand the business environment surrounding ENGS, and examined the consistency of the answers of these inquiries with the information obtained from the component auditor of ENGS. ➢ Evaluated the achievement of the business plan at acquisition of ENGS by comparing the business plan and actual operating results.

The undiscounted future cash flows used in the impairment evaluation are based on a business plan, which is developed by considering the outlook for the business environment and includes accounting estimates. As a result, there is a degree of subjective judgment by management in the accounting estimates. If these estimates are not appropriate, there is a potential risk that the impairment losses of goodwill will not be properly recognized. Therefore, we decided that the impairment evaluation of goodwill of ENGS is a key audit matter.	➢ Inquired of the manager of the Overseas Business Promotion Department how the impact of COVID-19 had been reflected in the business plan on which the undiscounted future cash flows were based for the year ending March 31, 2022, and thereafter, and examined whether there were any significant inconsistencies between the trends in the business environment surrounding ENGS and the assumption by the Group. ➢ Inspected the Group's support documents on the business plan on which the undiscounted future cash flows are based and business environment analysis for the year ending March 31, 2022, and thereafter and examined the validity of the business plan based on our understanding of economic indicators including forecasts related to the business environment of ENGS. ➢ Performed sensitivity analysis on the undiscounted future cash flows.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

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

June 25, 2021

MITSUBISHI HC CAPITAL Inc.