FINANCIAL INFORMATION 2022

For the year ended March 31, 2022

MITSUBISHI HC CAPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

On April 1, 2021, the Company (the former Mitsubishi UFJ Lease & Finance Company Limited; hereinafter Mitsubishi UFJ Lease & Finance) executed the business integration with Hitachi Capital Corporation (Hitachi Capital) and changed the trade name to Mitsubishi HC Capital Inc (Mitsubishi HC Capital).

- Comparison figures in "Business Results" represent a comparison with the figures for the previous fiscal year (from April 1, 2020 to March 31, 2021), which are the sum of the consolidated results of Mitsubishi UFJ Lease & Finance and those of Hitachi Capital (IFRS basis) converted into J-GAAP basis in a simplified manner.
- In the fiscal year ended March 31, 2022, the Group changed its reporting segments to 10 segments and changed its accounting policies. The figures have been restated retrospectively for comparative analysis. In addition, segment profit or loss matches net income attributable to owners of the parent from the Consolidated Statements of Income.
- Figures for the previous fiscal year in operating results by reporting segment are the sum of consolidated results of Mitsubishi UFJ Lease & Finance and those of Hitachi Capital (IFRS basis) converted into J-GAAP basis in a simplified manner, which are reclassified to conform to the new segmentation and presented as reference value.
- The figures in the comparison with the end of the previous fiscal year (March 31, 2021) in "Financial Position" represent a comparison with the sum of the consolidated figures for Mitsubishi UFJ Lease & Finance and Hitachi Capital.

Business Results

The Group's business results for the fiscal year ended March 31, 2022 were as follows.

On the sales front, the volume of new transactions increased by ¥246.3 billion or 10.9% year on year to ¥2,507.8 billion.

Revenues increased by ¥51.6 billion or 3.0% to ¥1,765.5 billion.

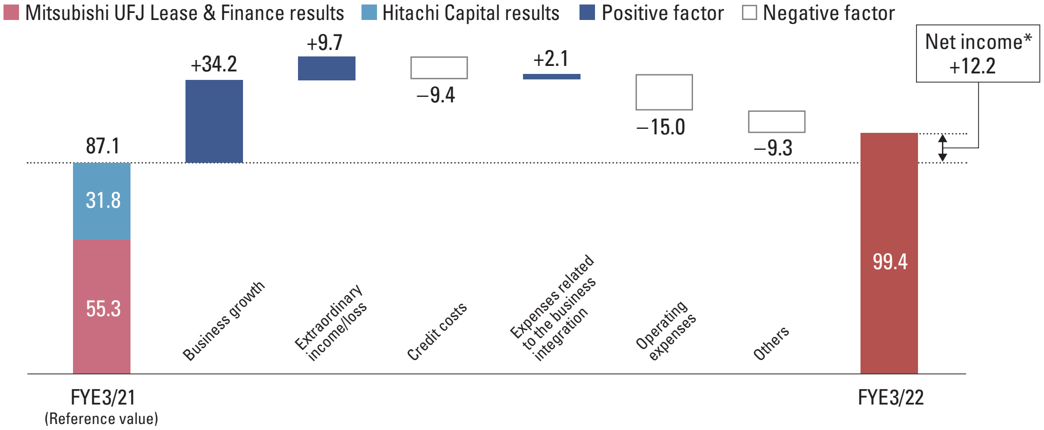
On the profit front, gross profit increased by ¥38.8 billion or 13.1% to ¥334.6 billion.

Similarly, operating income increased by ¥16.0 billion or 16.4% to ¥114.0 billion.

Net income attributable to owners of the parent increased by ¥12.2 billion or 14.0% to ¥99.4 billion, ¥4.4 billion higher than the full-year forecast of ¥95.0 billion. This was mainly thanks to business growth in subsidiaries in Europe and the United States in the Account Solution segment and marine container leasing in the Logistics segment, an increase in gains on sale of assets in the Aviation segment, continuous replacement of the portfolio, and steady promotion of asset turnover businesses.

In conjunction with outperforming the full-year earnings forecasts, the annual dividend per share has been set to ¥28,

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



* Net income attributable to owners of the parent

Notes:
1) Except for Others (tax expenses), the amounts provided reflect the impact on income before income taxes.
2) The amount of business growth is the combined total of gross profit and non-operating income/loss (the amount of non-operating income/loss does not include recoveries of written-off receivables).
3) The amount of operating expenses does not include expenses related to the business integration.

an increase of ¥2 from the forecast dividend of ¥26. This is a ¥2.5 increase over the previous fiscal year's dividend of ¥25.5.

Operating results by reporting segment are presented below.

Customer Business

Segment profit increased by ¥7.9 billion or 31.2% from the previous fiscal year (reference value) to ¥33.4 billion. This was mainly thanks to business growth of ENGS Holdings Inc., a U.S. sales finance company, and an increase in gain on sale of strategic shareholdings.

Account Solution

Segment profit increased by ¥6.9 billion or 34.9% from the previous fiscal year (reference value) to ¥26.9 billion. The increase was mainly thanks to business growth in Europe and the United States despite an increase in selling, general, and administrative expenses associated with expansion of business activities.

Vendor Solution

Segment profit decreased by ¥1.1 billion or 28.2% from the previous fiscal year (reference value) to ¥3.0 billion. The decline was due to a decrease in segment assets despite an increase in the volume of new transactions.

LIFE

Segment profit increased by ¥0.6 billion or 14.6% from the previous fiscal year (reference value) to ¥4.8 billion. This was thanks to an increase in sales gain of logistics facilities in real estate-related businesses and a decrease in selling, general and administrative expenses.

Real Estate

Segment profit decreased by ¥8.8 billion or 31.7% from the previous fiscal year (reference value) to ¥19.1 billion. This was due to the reactionary fall in sales gains and absence of compensation received in association with the redevelopment project, both recorded in the previous fiscal year.

Environment & Renewable Energy

Segment profit remained flat compared to the previous fiscal year (reference value) at ¥7.0 billion. This was mainly due to the absence of the gain on step acquisition in the solar power generation business recorded in the previous fiscal year, despite an increase in electricity sales revenue.

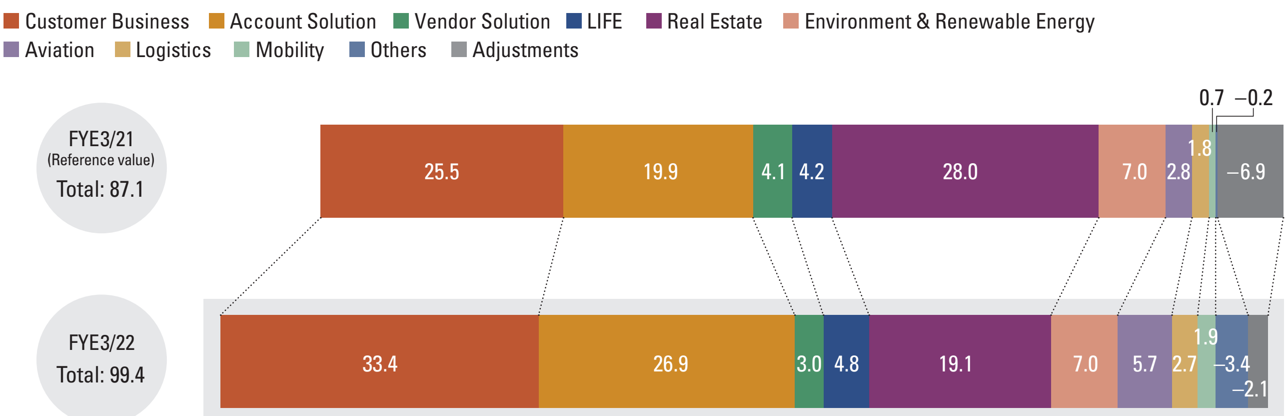
Aviation

Segment profit increased by ¥2.9 billion or 105.4% from the previous fiscal year (reference value) to ¥5.7 billion. The increase was mainly thanks to an increase in gain on sale of assets and posting of gain on sale of certain receivables from bankrupt debtors, despite recognition of credit costs for certain existing customers, expenses in relation to modification of terms for certain existing lease contracts, posting of impairment losses, and foreign exchange losses related to borrowings denominated in foreign currencies in certain businesses.

Logistics

Segment profit increased by ¥0.8 billion or 47.7% from the previous fiscal year (reference value) to ¥2.7 billion. The increase was mainly thanks to a steady performance

Segment Profit (¥ Billion)



MANAGEMENT'S DISCUSSION AND ANALYSIS

by marine container leasing company Beacon Intermodal Leasing, LLC and an increase in equity-method investment gains in the auto leasing business, despite recording one-time expenses in connection with reconfiguration of the portfolio in the railway freight car leasing business and expenses related to the acquisition of CAI International, Inc.

Mobility

Segment profit increased by ¥1.1 billion or 160.7% from the previous fiscal year (reference value) to ¥1.9 billion. This was mainly thanks to an increase in gain on sales of vehicles for which the leasing term has matured in Japan and overseas, etc., responding to the high demand for used cars on a global basis.

Others

Segment profit decreased by ¥3.1 billion from the previous fiscal year (reference value) to a segment loss of ¥3.4 billion. This was primarily due to recording credit costs for certain customers in the infrastructure business.

In conjunction with the organizational changes, the reporting segments will be changed in the fiscal year ending March 31, 2023.

Financial Position

As of March 31, 2022, total assets increased by ¥4,313.9 billion from the previous fiscal year-end to ¥10,328.8 billion, mainly thanks to the business integration with Hitachi Capital on April 1, 2021. Total equity rose by ¥515.5 billion to ¥1,333.4 billion. The equity ratio fell 0.7 percentage points to 12.7%.

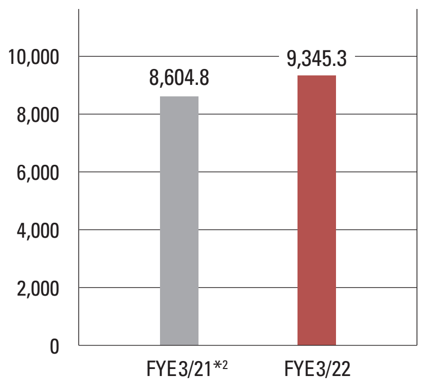
Interest-bearing debt (excluding lease obligations) increased by ¥3,431.1 billion to ¥8,066.0 billion, and total liabilities were up ¥3,798.4 billion to ¥8,995.4 billion. Out of interest-bearing debt, long-term liabilities such as long-term loans rose by ¥2,004.3 billion to ¥5,290.0 billion, while short-term liabilities such as short-term loans and commercial paper increased by ¥1,426.7 billion to ¥2,776.0 billion.

Operating activities provided net cash of ¥195.8 billion compared to ¥199.3 billion in the previous fiscal year. Inflows of ¥147.2 billion in income before income taxes with an adjustment including ¥328.6 billion for depreciation and amortization and ¥148.2 billion for loss on disposals and sales of leased assets were set against outflows including ¥397.2 billion for purchases of leased assets and ¥7.7 billion for purchases of other operating assets.

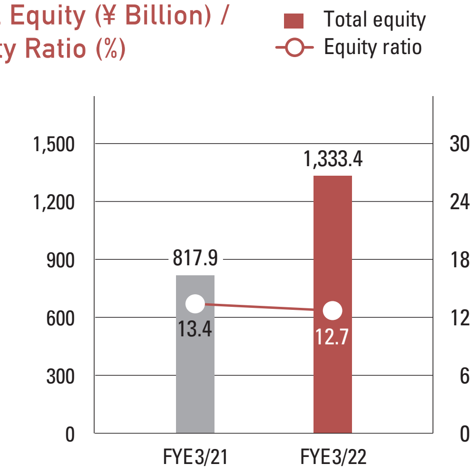
Investing activities used net cash of ¥107.8 billion compared to net cash provided of ¥1.2 billion in the previous fiscal year. Inflows of ¥36.0 billion in proceeds from sales and redemption of investment securities were offset by outflows including ¥124.5 billion in payments for acquisition of newly consolidated subsidiaries and ¥13.6 billion in purchases of investment securities.

Financing activities used net cash of ¥192.1 billion compared to ¥372.8 billion in the previous fiscal year. Net outflows of ¥68.5 billion for direct funding and ¥73.2

Segment Assets*1 (¥ Billion)



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



*1 The values for segment assets do not include adjustments. Refer to pages 83-87 for details.
*2 Figures for FYE3/2021 are the sum of the figures of Mitsubishi UFJ Lease & Finance and those of Hitachi Capital.

billion for bank loans and other forms of indirect funding were set against items including ¥29.6 billion in cash dividends paid.

As a result, cash and cash equivalents as of March 31, 2022 totaled ¥520.0 billion, an increase of ¥233.8 billion or 81.7% from the previous fiscal year-end. The increase comes from ¥195.8 billion provided by operating activities, being set against ¥107.8 billion used in investing activities and ¥192.1 billion used in financing activities, with a ¥316.8 billion increase associated with the merger.

Medium- to Long-term Management Direction

The Company has formulated the Medium- to Long-term Management Direction.

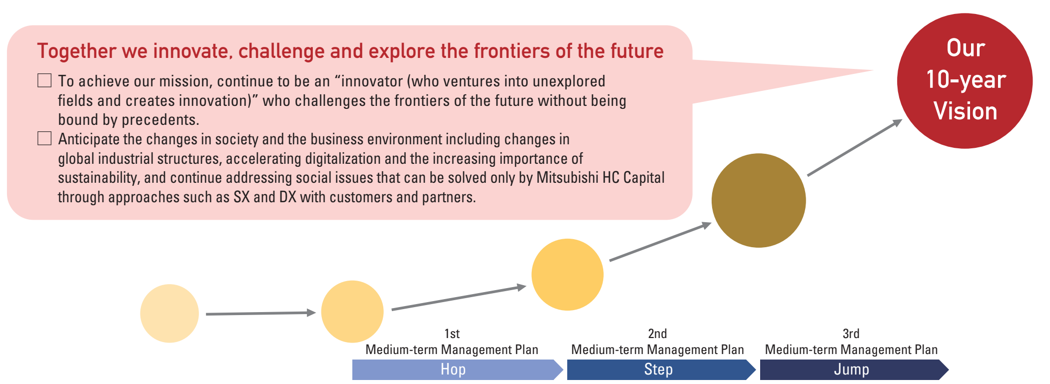
The medium- to long-term direction has been formulated based on the “Basic Management Policy (Our Mission, Our Vision, Action Principles).” It describes “Our 10-year Vision (Together we innovate, challenge and explore the frontiers of the future)” toward the realization of Our Mission, and shows how we want to be recognized by our stakeholders and how we should transform to become such a company.

Through the three-phase medium-term management plans, “Hop,” “Step,” and “Jump,” with the first phase “Hop” being the Medium-term Management Plan covering the three-year period from the year ending March 31, 2024, we will promote Corporate Transformation / Customer Experience (CX) through “Sustainability Transformation (SX) / Digital Transformation (DX)” and “Business Portfolio Transformation,” with an aim to achieve “Our 10-year Vision.” CX refers to both Corporate Transformation and Customer Experience, meaning that we will create customer value through company-wide transformation.

Our expected targets for the fiscal year ending March 31, 2026, which is the final year of “Hop,” include ROA of approximately 1.5% and ROE of approximately 10%. Also included is our expected target dividend payout ratio for the new Medium-term Management Plan period of approximately 40%. The medium-term management policy/strategy and specific KPI targets will be determined in the formulation process of the new Medium-term Management Plan covering the three-year period from the year ending March 31, 2024.

Please refer to pages 24–29 of “Financial Results for the Fiscal Year Ended March 31, 2022” posted on IR Library on the Company’s website for details of the Medium- to Long-term Management Direction.

URL of IR Library on the Company’s Website
https://www.mitsubishi-hc-capital.com/english/investors/library/report/index.html



	FYE3/2022	FYE3/2023*1	FYE3/2024	FYE3/2026	FYE3/2029	FYE3/2032
ROA*2	1.0%	1.1%	…	Approx. 1.5%		
ROE*2	8.0%	8.2%	…	Approx. 10%		
Payout Ratio	40.4%	40.5%	Approx. 40% (during the period of new Medium-term Management Plan)			

[Expected target]

*1. The figures of the fiscal year ending March 31, 2023 are the forecast as of May 16, 2022.
*2. ROA and ROE are based on 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 Executive 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, 2022.

01 Integrated Risk Management

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

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

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

02 Major Risks Managed within Framework of Integrated Risk Management

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

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

(1) Credit Risk

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

Main Efforts to Address Risk

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

(2) Asset Risk

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

(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, war, or geopolitical risk may render the asset irrecoverable or cause its selling price to fluctuate. Furthermore, the recording of an impairment loss or increased costs associated with property management could also impact the Group's business results and financial position.

Main Efforts to Address Risk

When engaging in operating leases with global assets, the Group conducts a comprehensive review that includes a checklist for deals involving movable property and future asset liquidity before working on each deal and endeavors to ensure a reasonable return for the credit risk and asset value fluctuation risk. Furthermore, the Group has established internal 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 investments, including loans to operating companies and funds. These investing activities are subject to such risks as risk of changes in the business environment including business fluctuations and declining demand, risk of revenue falling below the plan due to sluggish performance of investees or partners, risk of diminished recoverability of the investment amount, risk of investee stock value falling below a certain level, and risk of investee stock value staying below a certain level for a considerable period of time due to sudden changes in the economic or financial situation or a major disruption of the financial markets regardless of the investee's performance. These risks could result in a total or partial loss of the investment, including through valuation loss, or create the necessity of additional funding. In addition, there are the risk that the Group may be unable to exit or restructure the business at the desired time or using the desired method due to differences with the partner's management policy or low liquidity of the investment asset and the risk that the Group may be disadvantaged by not being able to obtain relevant information from the investee, and these risks could impact the Group's business results and financial position.

Main Efforts to Address Risk

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

(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. Meanwhile, the ALM Committee meets quarterly or as required to analyze scenarios and data in connection with geopolitical risk, pandemics, and various other risk factors and to determine ALM policy based on trends in the financial market environment, the risk situation, and other considerations.

(5) Liquidity Risk

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

Main Efforts to Address Risk

With respect to the procurement of funds, the Group tries to ensure the liquidity of funds through efforts to diversify by procuring funds directly from the market including corporate bonds, commercial paper, and securitization of lease receivables in addition to borrowing from financial institutions as well as through procurement with long- and short-term balance, careful management of cash flow, and measures to supplement liquidity during emergencies, such as through the acquisition of commitment lines. Additionally, the Group conducts stage-by-stage management of liquidity, putting in place funding arrangements to ensure that the immediately necessary funds can be secured, including funds for repayment, even if the fundraising environment deteriorates, and reporting on the status of funding to the ALM Committee.

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

Meanwhile, to support the globalization of its business over recent years and also to increase its ability to procure foreign currency, the Group is progressing with the reorganization of its regional financial bases. As part of this, it has opened a regional financial base in North America, thus establishing a Group financing system in North America, where it holds a large asset balance. The base offers 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 the Group's ability to monitor the financial situation, it promotes sharing of knowledge and information within the Group, thus providing optimal operational support in North America.

(6) Operational Risk

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

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

Main Efforts to Address Risk

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

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

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

(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 Security Incident Response Team (MHC-SIRT) to address these risks and has a system in place to prevent incidents at the entrance, internal, and exit stages and respond to them if they occur. Specifically, in preparation for cyberattacks that exploit vulnerabilities, the Group keeps software up to date to detect unauthorized access, 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, sales bases in Japan, and sites in each country continuously monitor revisions and changes to the various systems in and outside Japan, such as legal, accounting, and tax systems, applying to the relevant country and services. In addition, the Group gathers information on and implements measures to address changes and revisions as quickly as possible while reinforcing such monitoring by actively utilizing outside experts.

(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

In addition to risk addressed in the framework of integrated risk management, the Group recognizes the major risks listed below. If the Group recognizes the possibility of such a risk emerging, it analyzes the status and outlook of the risk and the impact on each risk managed within the integrated risk management framework, including combined impacts across multiple risk items. It then explores a Group response and formulates a response policy as necessary and additionally carries out stress tests based on envisioned new or multiple scenarios appropriate to the situation as part of a multi-faceted verification of risk resilience.

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

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

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

Main Efforts to Address Risk

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

(2) 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

Despite the progress of vaccination programs, the pandemic, ongoing since 2020, has been characterized across different countries by a repeated pattern of temporary improvement followed by the spread of new variants. It is therefore difficult to predict a definitive end to the pandemic and some level of impact is expected to persist for the foreseeable future.

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. A range of additional impacts, including rising prices and interest rates as well as supply chain disruption resulting in worsening customer credit status, may in turn lead to an increase in non-performing loans, which could require additional provisions of allowance for doubtful receivables or other measures.

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.

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 control exercised by the central banks of the various countries and regions.

It should be noted that the restriction of human movement and other measures could continue to limit the Group's business activities in the future. In response, the Group is taking steps to adapt its internal project activities to pandemic and post-pandemic conditions. In addition to continuing with 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.

(3) 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. Moreover, if the Group's response to climate change risk or its information disclosure are inadequate, or are deemed to be so, there is the possibility for the Group's corporate value to be damaged.

Main Efforts to Address Risk

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

(4) 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.

(5) 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.

(6) 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.

(7) 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 in credit, and the emergence of large-scale concentrations of risk in individual business fields. Based on these scenarios, it has undertaken analysis and verification of the potential degree of impact of stress conditions on profitability and equity in each fiscal period.

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

Consolidated Balance Sheets

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Assets			
Current assets:			
Cash and cash equivalents (Notes 11 and 25)	**¥520,083**	¥286,213	**$4,262,981**
Time deposits other than cash equivalents (Notes 11 and 25)	**12,990**	8,028	**106,477**
Bank overdrafts (Note 25)	**7,868**		**64,491**
Marketable securities (Notes 4 and 25)	**2,019**	5,469	**16,552**
Receivables:			
Lease (Notes 2.r., 11, and 18)	**80,382**	31,198	**658,871**
Installment sales (Notes 11 and 25)	**255,143**	191,043	**2,091,339**
Loans (Notes 2.r., 11, 12, and 25)	**1,845,975**	867,738	**15,130,947**
Lease receivables and investments in leases (Notes 2.r., 7, 11, 22, and 25)	**3,265,267**	1,628,749	**26,764,486**
Inventories (Notes 5, 11, and 12)	**48,242**	27,468	**395,428**
Prepaid expenses and other (Notes 2.r., 11, and 18)	**156,006**	120,042	**1,278,737**
Allowance for doubtful receivables (Notes 2.t. and 25)	**(22,657)**	(5,794)	**(185,713)**
Total current assets	**6,171,321**	3,160,157	**50,584,603**
Property and equipment:			
Leased assets — at cost	**3,918,302**	2,709,336	**32,117,233**
Accumulated depreciation	**(832,153)**	(658,254)	**(6,820,929)**
Net leased assets	**3,086,149**	2,051,082	**25,296,304**
Advances for purchases of leased assets	**34,622**	59,750	**283,792**
Total leased assets (Notes 6, 8, 11, and 12)	**3,120,771**	2,110,833	**25,580,096**
Other operating assets — at cost	**253,466**	165,236	**2,077,590**
Accumulated depreciation	**(30,811)**	(13,097)	**(252,556)**
Net other operating assets (Note 11)	**222,654**	152,138	**1,825,034**
Own-used assets — at cost	**23,757**	12,537	**194,737**
Accumulated depreciation	**(9,975)**	(6,289)	**(81,766)**
Net own-used assets	**13,782**	6,248	**112,970**
Total property and equipment	**3,357,208**	2,269,220	**27,518,101**
Investments and other assets:			
Investment securities (Notes 4, 11, and 25):			
Unconsolidated subsidiaries and associated companies	**168,891**	150,054	**1,384,354**
Other securities	**207,754**	207,737	**1,702,904**
Goodwill (Notes 2.t. and 9)	**90,326**	57,277	**740,382**
Long-term receivables (Note 25)	**108,188**	39,269	**886,788**
Asset for retirement benefits (Note 14)	**1,593**	21	**13,062**
Deferred tax assets (Notes 2.r. and 23)	**38,137**	10,229	**312,605**
Other (Notes 2.r. and 11)	**257,449**	139,976	**2,110,241**
Allowance for doubtful receivables (Notes 2.t. and 25)	**(76,791)**	(22,501)	**(629,434)**
Total investments and other assets	**795,550**	582,064	**6,520,904**
Deferred assets:			
Bond issue costs (Note 2.r.)	**4,791**	3,454	**39,276**
Total deferred assets	**4,791**	3,454	**39,276**
Total assets	**¥10,328,872**	¥6,014,896	**$84,662,885**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 11, 13, and 22)	**¥591,431**	¥236,730	**$4,847,798**
Commercial paper (Note 13)	**682,593**	434,171	**5,595,031**
Current maturities of bonds (Notes 11, 13, and 25)	**443,647**	244,025	**3,636,454**
Current maturities of long-term loans (Notes 11, 12, 13, 22, and 25)	**810,475**	372,344	**6,643,240**
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 11, 13, and 25)	**247,900**	61,995	**2,031,970**
Current maturities of lease obligations (Note 13)	**21,676**	23,133	**177,680**
Notes and accounts payable — trade (Note 2.r.)	**184,042**	88,062	**1,508,544**
Income taxes payable	**24,818**	10,805	**203,428**
Deferred profit on installment sales (Note 25)	**11,110**	10,095	**91,071**
Other (Notes 2.r., 13, and 18)	**217,646**	109,417	**1,783,986**
Total current liabilities	**3,235,343**	1,590,780	**26,519,209**
Long-term liabilities:			
Bonds, less current maturities (Notes 11, 12, 13, and 25)	**1,820,244**	980,181	**14,920,034**
Long-term loans from banks and other financial institutions, less current maturities (Notes 11, 12, 13, 22, and 25)	**3,113,196**	2,261,273	**25,518,007**
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 11, 13, and 25)	**356,592**	44,234	**2,922,890**
Lease obligations, less current maturities (Note 13)	**53,331**	66,667	**437,140**
Liability for retirement benefits (Note 14)	**8,992**	3,173	**73,712**
Asset retirement obligations	**40,431**	25,055	**331,403**
Reserve for insurance policy liabilities	**11,148**		**91,381**
Deferred tax liabilities (Note 23)	**108,580**	52,816	**890,008**
Other (Notes 11 and 13)	**247,542**	172,806	**2,029,038**
Total long-term liabilities	**5,760,061**	3,606,209	**47,213,618**
Commitments and contingent liabilities (Notes 15 and 26)			
Equity (Notes 16 and 30)**:**			
Common stock —	**33,196**	33,196	**272,098**
authorized, 4,800,000,000 shares in 2022 and 3,200,000,000 shares in 2021;			
issued, 1,466,912,244 shares in 2022 and 895,834,160 shares in 2021			
Capital surplus	**548,586**	167,280	**4,496,610**
Stock acquisition rights (Note 17)	**1,861**	1,552	**15,260**
Retained earnings (Note 2.r.)	**638,043**	568,335	**5,229,860**
Treasury stock — at cost, 31,056,328 shares in 2022 and 4,368,016 shares in 2021	**(19,369)**	(1,528)	**(158,763)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**14,953**	30,678	**122,567**
Deferred gain (loss) on derivatives under hedge accounting	**1,460**	(15,519)	**11,968**
Foreign currency translation adjustments	**92,776**	22,278	**760,462**
Defined retirement benefit plans	**123**	(925)	**1,011**
Total	**1,311,631**	805,349	**10,751,077**
Noncontrolling interests (Note 2.r.)	**21,835**	12,557	**178,981**
Total equity	**1,333,467**	817,906	**10,930,058**
Total liabilities and equity	**¥10,328,872**	¥6,014,896	**$84,662,885**

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Revenues (Notes 2.r., 18, 22, and 25)	**¥1,765,559**	¥947,658	**$14,471,799**
Costs (Notes 2.r., 2.t., and 22)	**1,430,898**	787,174	**11,728,672**
Gross profit	**334,661**	160,483	**2,743,127**
Selling, general, and administrative expenses (Note 19)	**220,569**	98,166	**1,807,945**
Operating income	**114,092**	62,316	**935,181**
Other income (expenses):			
Dividend income	**2,447**	3,384	**20,063**
Interest expense ─ net of interest income of ¥540 million ($4,433 thousand) in 2022 and ¥356 million in 2021 (Note 22)	**(5,338)**	(3,849)	**(43,755)**
Gain on sales of investment securities (Note 4)	**29,967**	10,029	**245,635**
Gain on sales of shares of subsidiaries and affiliates (Note 3.c.)		431	
(Loss) gain on step acquisition (Note 20)	**(273)**	1,395	**(2,245)**
Compensation income (Note 21)		3,488	
Gain on sales of own-used assets		3,112	
Gain from bargain purchase (Note 3.a.)	**431**		**3,538**
Other — net (Note 2.r.)	**5,923**	2,874	**48,555**
Other income — net	**33,158**	20,866	**271,793**
Income before income taxes	**147,250**	83,183	**1,206,975**
Income taxes (Notes 2.r. and 23)**:**			
Current	**38,807**	22,457	**318,096**
Deferred	**7,088**	3,907	**58,104**
Total income taxes	**45,896**	26,364	**376,200**
Net income	**101,354**	56,818	**830,774**
Net income attributable to noncontrolling interests	**1,953**	1,504	**16,010**
Net income attributable to owners of the parent	**¥99,401**	¥55,314	**$814,764**

	Yen		U.S. dollars
	2022	2021	**2022**
Amounts per share of common stock (Note 29)**:**			
Basic net income	**¥69.24**	¥62.07	**$0.56**
Diluted net income	**69.06**	61.84	**0.56**
Cash dividends applicable to the year	**28.00**	25.50	**0.22**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Net income	**¥101,354**	¥56,818	**$830,774**
Other comprehensive income (loss) (Note 27)**:**			
Net unrealized (loss) gain on available-for-sale securities	**(15,578)**	19,845	**(127,693)**
Deferred gain (loss) on derivatives under hedge accounting	**15,001**	(10,516)	**122,960**
Foreign currency translation adjustments	**69,358**	(14,194)	**568,514**
Defined retirement benefit plans	**1,061**	330	**8,702**
Share of other comprehensive income in associates	**3,389**	782	**27,781**
Total other comprehensive income (loss)	**73,232**	(3,751)	**600,265**
Comprehensive income	**¥174,586**	¥53,066	**$1,431,039**
Total comprehensive income attributable to:			
Owners of the parent	**¥171,878**	¥51,785	**$1,408,843**
Noncontrolling interests	**2,708**	1,281	**22,196**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Thousands				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, MARCH 31, 2020 (April 1, 2020, as previously reported)	895,834	¥33,196	¥167,164	¥1,507	¥538,977
Cumulative effect of accounting changes (Note 2.r.)					(3,107)
BALANCE, APRIL 1, 2020 (as restated)		33,196	167,164	1,507	535,869
Net income attributable to owners of the parent					55,314
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 (as restated)	**895,834**	**33,196**	**167,280**	**1,552**	**568,335**
Net income attributable to owners of the parent					**99,401**
Cash dividends					**(29,693)**
Purchase of treasury stock (4,503 shares)					
Disposal of treasury stock (296,520 shares)			**(60)**		
Change in ownership of the parent due to transaction with noncontrolling shareholders			**(113)**		
Increase due to merger (issued, 571,078,084 shares, treasury stock, 26,980,329 shares; Notes 3.a. and 16)	**571,078**		**381,480**		
Net change in the year				**308**	
BALANCE, MARCH 31, 2022	**1,466,912**	**¥33,196**	**¥548,586**	**¥1,861**	**¥638,043**

	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, MARCH 31, 2021 (as restated)	**$272,098**	**$1,371,150**	**$12,728**	**$4,658,488**
Net income attributable to owners of the parent				**814,764**
Cash dividends				**(243,391)**
Purchase of treasury stock (4,503 shares)				
Disposal of treasury stock (296,520 shares)		**(499)**		
Change in ownership of the parent due to transaction with noncontrolling shareholders		**(927)**		
Increase due to merger (issued, 571,078,084 shares, treasury stock, 26,980,329 shares; Notes 3.a. and 16)		**3,126,886**		
Net change in the year			**2,532**	
BALANCE, MARCH 31, 2022	**$272,098**	**$4,496,610**	**$15,260**	**$5,229,860**

See notes to consolidated financial statements.

Millions of yen							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
¥(1,665)	¥10,752	¥(5,597)	¥36,219	¥(1,333)	¥779,220	¥19,599	¥798,820
					(3,107)	(195)	(3,303)
(1,665)	10,752	(5,597)	36,219	(1,333)	776,112	19,404	795,517
					55,314		55,314
					(22,501)		(22,501)
137					169		169
					(336)		(336)
					(10)		(10)
					83		83
	19,925	(9,922)	(13,940)	407	(3,483)	(6,838)	(10,330)
(1,528)	**30,678**	**(15,519)**	**22,278**	**(925)**	**805,349**	**12,557**	**817,906**
					99,401		**99,401**
					(29,693)		**(29,693)**
(3)					**(3)**		**(3)**
184					**123**		**123**
					(113)		**(113)**
(18,022)					**363,457**		**363,457**
	(15,725)	**16,979**	**70,497**	**1,049**	**73,109**	**9,278**	**82,387**
¥(19,369)	**¥14,953**	**¥1,460**	**¥92,776**	**¥123**	**¥1,311,631**	**¥21,835**	**¥1,333,467**

Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
$(12,526)	**$251,466**	**$(127,208)**	**$182,611**	**$(7,586)**	**$6,601,222**	**$102,928**	**$6,704,151**
					814,764		**814,764**
					(243,391)		**(243,391)**
(24)					**(24)**		**(24)**
1,514					**1,015**		**1,015**
					(927)		**(927)**
(147,726)					**2,979,159**		**2,979,159**
	(128,899)	**139,176**	**577,851**	**8,598**	**599,258**	**76,052**	**675,311**
$(158,763)	**$122,567**	**$11,968**	**$760,462**	**$1,011**	**$10,751,077**	**$178,981**	**$10,930,058**

Consolidated Statements of Cash Flows

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Operating activities:			
Income before income taxes	**¥147,250**	¥83,183	**$1,206,975**
Adjustment for:			
Income taxes — paid	**(36,505)**	(22,335)	**(299,227)**
Depreciation and amortization	**328,690**	151,808	**2,694,181**
Provision of allowance for doubtful receivables	**19,479**	9,810	**159,665**
Gain from bargain purchase	**(431)**		**(3,538)**
Loss on disposals and sales of leased assets	**148,205**	45,783	**1,214,798**
Gain on sales of own-used assets	**(7)**	(3,112)	**(60)**
Gain on sales of shares of subsidiaries and affiliates		(431)	
Loss (gain) on step acquisition	**273**	(1,395)	**2,245**
Changes in assets and liabilities:			
(Increase) decrease in receivables (Note 2.r.)	**(16,345)**	92,784	**(133,982)**
(Increase) decrease in lease receivables and investments in leases (Note 2.r.)	**(29,406)**	77,426	**(241,040)**
Decrease (increase) in operating securities and investments in private equity securities	**7,242**	(17,293)	**59,363**
Increase in trade payables (Note 2.r.)	**3,885**	9,602	**31,846**
(Decrease) increase in interest payable	**(958)**	1,337	**(7,855)**
Purchases of leased assets	**(397,205)**	(185,989)	**(3,255,785)**
Purchases of other operating assets	**(7,770)**	(32,781)	**(63,694)**
Other — net (Note 2.r.)	**29,450**	(9,081)	**241,400**
Total adjustments	**48,594**	116,131	**398,316**
Net cash provided by operating activities	**195,845**	199,314	**1,605,291**
Investing activities:			
Purchases of own-used assets	**(9,623)**	(2,648)	**(78,880)**
Proceeds from sales of own-used assets	**553**	3,272	**4,537**
Purchases of investment securities	**(13,663)**	(15,699)	**(111,999)**
Proceeds from sales and redemption of investment securities	**36,065**	14,664	**295,616**
Payments for acquisition of newly consolidated subsidiaries	**(124,592)**		**(1,021,247)**
Proceeds from sales of consolidated subsidiaries	**2,271**	2,019	**18,622**
Payments into time deposits	**(5,913)**	(55,524)	**(48,468)**
Proceeds from withdrawal of time deposits	**6,976**	54,250	**57,183**
Other — net	**45**	886	**376**
Net cash (used in) provided by investing activities	**(107,879)**	1,220	**(884,260)**
Financing activities:			
Net increase (decrease) in short-term loans	**49,904**	(211,716)	**409,054**
Net increase (decrease) in commercial paper	**30,707**	(328,318)	**251,703**
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	**359,310**	103,767	**2,945,165**
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	**(423,974)**	(132,989)	**(3,475,203)**
Proceeds from long-term loans	**562,540**	578,241	**4,610,989**
Repayments of long-term loans	**(685,685)**	(402,652)	**(5,620,372)**
Proceeds from issuance of bonds	**498,011**	280,426	**4,082,060**
Redemption of bonds	**(532,561)**	(230,079)	**(4,365,257)**
Cash dividends paid	**(29,693)**	(22,501)	**(243,391)**
Cash dividends paid to noncontrolling shareholders	**(3,140)**	(5,530)	**(25,741)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(12,346)**	(1,068)	**(101,197)**
Other — net	**(5,229)**	(388)	**(42,868)**
Net cash (used in) financing activities	**(192,157)**	(372,808)	**(1,575,058)**
Foreign currency translation adjustments on cash and cash equivalents	**21,066**	2,818	**172,679**
Net decrease in cash and cash equivalents	**(83,124)**	(169,455)	**(681,348)**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	**99**	80	**819**
Increase in cash and cash equivalents resulting from merger	**316,895**		**2,597,500**
Cash and cash equivalents, beginning of year	**286,213**	455,588	**2,346,009**
Cash and cash equivalents, end of year	**¥520,083**	¥286,213	**$4,262,981**

See notes to consolidated financial statements.

Additional information

Acquisition of CAI International, Inc. (CAI) (Note 3.b.)

Payments for acquisition of newly consolidated subsidiaries mainly consist of the acquisition of CAI.
On November 22, 2021, the Company made CAI a wholly owned subsidiary.

Reconciliation of the net cash paid for acquisition of CAI is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	2022
Current assets	¥127,629	$1,046,145
Fixed assets	303,794	2,490,115
Deferred assets	6	54
Goodwill	33,613	275,518
Current liabilities	(38,173)	(312,893)
Long-term liabilities	(302,356)	(2,478,332)
Foreign currency translation adjustment	(323)	(2,647)
Acquisition cost	124,190	1,017,958
Cash and cash equivalents	(5,281)	(43,292)
Net cash paid for acquisition of CAI	¥118,909	$974,666

Business integration with Hitachi Capital Corporation (Hitachi Capital) (Note 3.a.)

Increase in cash and cash equivalents resulting from merger is from business integration with Hitachi Capital. Effective April 1, 2021, Mitsubishi UFJ Lease & Finance Company Limited (Mitsubishi UFJ Lease) and Hitachi Capital integrated their businesses and changed the company name to Mitsubishi HC Capital Inc.

Details of assets acquired and liabilities assumed in merger is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2022	2022
Current assets (*)	¥2,853,966	$23,393,168
Fixed assets	860,780	7,055,574
Deferred assets	978	8,020
Total assets	¥3,715,725	$30,456,763
Current liabilities	¥1,376,757	$11,284,896
Long-term liabilities	1,921,232	15,747,810
Total liabilities	¥3,297,990	$27,032,706

(*) Cash and cash equivalents of ¥316,895 million ($2,597,500 thousand) is included and disclosed as increase in cash and cash equivalents resulting from merger.

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

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
	2021
Current assets	¥73,732
Fixed assets	2,718
Current liabilities	(44,681)
Long-term liabilities	(26,412)
Noncontrolling interests	(1,071)
Others	(1)
Gain on share transfer	431
Transfer amount	4,716
Cash and cash equivalents	(3,629)
Net cash provided by transfer of shares of HIROGIN LEASE	¥1,086

Notes to Consolidated Financial Statements

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries

Years ended March 31, 2022 and 2021

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 2021 consolidated financial statements to conform to the classifications used in 2022.

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 ¥122 to USD1, the approximate rate of exchange at March 31, 2022.

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, 2022, include the accounts of the Company and its 266 (188 in 2021) 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 2021) unconsolidated subsidiary and 73 (52 in 2021) 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 60 such collective investment vehicles in 2022 (56 in 2021).

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

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

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

The fiscal years of the subsidiaries are not necessarily the same as the Company's. Accounts of those subsidiaries that have different fiscal periods have been adjusted for significant transactions to reflect properly their financial positions at March 31 of each year and the results of operations for the years then ended. Certain subsidiaries have prepared provisional statements of accounts, prepared in the equivalent way as the year-end closing, as of March 31, 2022.

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

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

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

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

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

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

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

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

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

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

e. Revenue Recognition

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

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

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

The Companies follow the industry practice of including receivables-installment sales due after one year in current assets. Receivables due after one year amounted to ¥169,231 million ($1,387,144 thousand) in 2022 and ¥128,306 million in 2021.

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

Sales from Maintenance Contracts

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

Sales from Selling Merchandise and Sales from Disposal of Lease Properties

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

Electricity Sales

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

Effective April 1, 2021, the Company applied *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020) and other related guidance and recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers.

The Company applied the transitional treatment as stipulated in Paragraph 84 of *Accounting Standard for Revenue Recognition*. As a result, revenues and costs decreased by ¥9,400 million ($77,054 thousand) for the year ended March 31, 2022. The effects on income before income taxes for the year ended March 31, 2022, and retained earnings as of April 1, 2021, were immaterial.

In accordance with the transitional treatment as stipulated in Paragraph 89-2 of *Accounting Standard for Revenue Recognition*, reclassification has not been made to the 2021 consolidated financial statements. In accordance with the transitional treatment as stipulated in Paragraph 89-3 of *Accounting Standard for*

Revenue Recognition, notes disclosure on revenue recognition has been omitted for the year ended March 31, 2021.

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

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

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

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

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

The Companies have operating securities to gain interest or dividend income. The amount of operating securities included in “Marketable securities” and “Investment securities” was ¥1,413 million ($11,583 thousand) and ¥154,456 million ($1,266,040 thousand), respectively, as of March 31, 2022, and ¥5,411 million and ¥123,966 million, respectively, as of March 31, 2021. In addition, the Companies record income from those securities as “Revenues” in the consolidated statements of income.

Effective April 1, 2021, the Company applied ASBJ Statement No. 30, *Accounting Standard for Fair Value Measurement* and ASBJ Guidance No. 31, *Implementation Guidance on Accounting Standard for Fair Value Measurement*, and revised related ASBJ Statements and ASBJ Guidance (the “New Accounting Standards”). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the previous accounting standards, nonmarketable available-for-sale securities are stated at cost.

According to the transitional treatment in Paragraph 19 of *Accounting Standard for Fair Value Measurement* and Paragraph 44-2 of *Accounting Standard for Financial Instruments* (ASBJ Statement No. 10, July 4, 2019), the Company applied the New Accounting Standards prospectively.

As a result of this change, there was no effect on the consolidated financial statements.

The Company disclosed information on financial instruments categorized by fair value hierarchy in Note 25. Financial Instruments, while the Company omitted disclosure for the year ended March 31, 2021 according to Paragraph 7-4 of *Implementation Guidance on Disclosure about Fair Value of Financial Instruments* (ASBJ Guidance No. 19, July 4, 2019).

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 and right-of-use assets of certain consolidated foreign subsidiaries which adopt IFRS or U.S. GAAP.

i. Long-Lived Assets — The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows (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 experiences 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 ¥9,441 million ($77,387 thousand) and ¥9,671 million at March 31, 2022 and 2021, respectively.

In addition, the consolidated foreign subsidiaries which adopt IFRS record allowance for doubtful receivables by measuring their expected credit losses based on the allowance ratio, etc., that is adjusted considering current and future economic situations, mainly depending on their past credit loss experiences.

k. Retirement and Pension Plans

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

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

Assumptions were set forth as follows:

Method of attributing expected retirement benefit to periods	Benefit formula basis method
Amortization period of prior service cost	six to 21 years (13 to 15 years in 2021)
Recognition period of actuarial gain/loss	10 to 20 years (13 to 15 years in 2021)

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.

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

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

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

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

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

r. Accounting Change

(Accounting Change due to the Merger with Hitachi Capital)

Effective April 1, 2021, the Company merged with Hitachi Capital. Due to the merger, the Company and certain consolidated subsidiaries changed accounting policies of items stated below from the year ended March 31, 2022. The consolidated financial statements for the year ended March 31, 2021, were retrospectively adjusted for all items to reflect the accounting changes.

Revenue Recognition for Re-Lease Contracts

The Companies used to recognize revenues from re-lease contracts (usually one year) at the beginning of the re-lease term. The Companies have changed to recognize revenues from re-lease contracts on a monthly straight-line basis over the re-lease term.

The Companies used to recognize revenues from re-lease contracts at the beginning of the re-lease term because re-leasing rentals in lump are usually received at the beginning of the re-leasing contracts, and many of those contracts do not need to refund for the unexpired period when cancelled. However, the outstanding balances of re-leasing contracts have increased after the merger, and considering re-leasing contracts are transactions of asset leases, the Companies decided to change the method to prorate re-leasing rentals onto the remaining months more appropriately reflects revenues from re-leasing contracts into consolidated financial statements.

As a result of this change, “Other current liabilities” increased by ¥8,392 million ($68,790 thousand), “Receivables – Lease” decreased by ¥1,884 million ($15,446 thousand) and “Retained earnings” decreased by ¥6,926 million ($56,776 thousand) as of March 31, 2021. “Retained earnings” as of April 1, 2020, decreased by ¥6,833 million ($56,014 thousand) due to the cumulative effect of this change to net asset as of April 1, 2020.

The effects of this change on net income and per share information for the year ended March 31, 2021, were immaterial.

As a result of this retrospective adjustment, there was no effect on net cash provided by operating activities, investing activities and financing activities in the consolidated statement of cash flows for the year ended March 31, 2021.

Leases Treated as Financial Transactions

The Companies used to record certain leases treated substantially as financial transactions based on their nature as “Receivables – Loans” in the consolidated balance sheets and as “Revenues” in the consolidated statements of income for interest revenues from those leases. However, considering the nature of the lease contracts, the Companies have changed to record leases treated as financial transactions as “Lease receivables and investments in leases” in the consolidated balance sheets, and lease revenues and related costs as “Revenue” and “Costs” in the consolidated statement of income, respectively.

The Companies used to account for these leases similar to loans as financial transactions for which the leased properties themselves were pledged as collateral, based on the intent of the related customers and the nature of the leased properties. Though, nowadays an increasing number of leased properties those was returned to the Companies at the end of lease term indicated more obvious nature of finance lease. Also, the outstanding balance of these leases increased due to the merger with Hitachi Capital, which is an additional reason for the change.

As a result of the change, “Lease receivables and investments in leases” and “Retained earnings” increased by ¥214,643 million ($1,759,370 thousand) and ¥1,732 million ($14,198 thousand), as of March 31, 2021, respectively, “Receivables – Loans” decreased by ¥212,146 million ($1,738,904 thousand) as of March 31, 2021, and “Revenue” and “Costs” both increased by ¥53,460 million ($438,204 thousand) for the year ended March 31, 2021. “Retained earnings” as of April 1, 2020, increased by ¥1,732 million ($14,198 thousand) due to the cumulative effect of this change to net asset as of April 1, 2020.

The effects of this change on net income and per share information for the year ended March 31, 2021, were immaterial.

As a result of this retrospective adjustment, “(Increase) decrease in lease receivables and investments in leases” decreased by ¥17,684 million ($144,953 thousand), “(Increase) decrease in receivables” increased by ¥17,684 million ($144,953 thousand) in the consolidated statement of cash flows for the year ended March 31, 2021. There was no effect on net cash provided by operating activities, investing activities, and financing activities.

Bond Issue Costs

The Company and consolidated domestic subsidiaries used to expense bond issue costs as incurred, and has changed it to the method of amortizing by interest method over the period of redemption.

This change has been made because bond issue costs are fundraising costs same as interests on bonds; the international accounting standard for recording expenses of bond issue costs stipulates the method of amortizing by interest method; bond issue costs for the foreign subsidiaries of the Company have been recorded by the interest method. The change will more appropriately reflect the Companies’ fundraising activities into the consolidated financial statements.

As a result of the change, “Bond issue costs” and “Retained earnings” increased by ¥3,454 million ($28,319 thousand) and by ¥2,070 million ($16,973 thousand), as of March 31, 2021, respectively. “Retained earnings” as of April 1, 2020, increased by ¥1,993 million ($16,341 thousand) due to the cumulative effect of this change to net asset as of April 1, 2020.

The effects of this change on net income and per share information for the year ended March 31, 2021, were immaterial.

As a result of this retrospective adjustment, there was no effect on net cash provided by operating activities, investing activities and financing activities in the consolidated statement of cash flows for the year ended March 31, 2021.

s. New Accounting Pronouncements

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

(1) Outline

The ASBJ revised ASBJ Guidance No. 31 *Implementation Guidance on Accounting Standard for Fair Value Measurement* on June 17, 2021. At the time of its initial release on July 4, 2019, deliberation on method of fair value measurement for investment trusts and investments in partnership and similar instruments for which net interest amounts are recorded on balance sheet, were to be performed roughly over one year period after the release as further consideration had been required among related parties.

(2) Date of application

The Company expects to apply the guidance for annual periods beginning on or after April 1, 2022.

(3) Effect of adopting the revised guidance

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

Financial Instruments–Credit Losses (Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13)

(1) Outline
The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13 *Financial Instruments–Credit Losses* on June 16, 2016. The new standard introduced expected loss methodology, replacing the existing incurred loss methodology, under which allowance for credit losses will be recognized by estimating expected loss for entire credit period at the time of its initial recognition.

(2) Date of application
The certain consolidated foreign subsidiaries adopting U.S. GAAP expect to apply the accounting standard for annual periods beginning on or after April 1, 2023.

(3) Effect of adopting the accounting standards
The Company is in the process of measuring the effects of applying the accounting standard in future applicable periods.

t. Significant Accounting Estimates

Accounting Standard for Disclosure of Accounting Estimates （ASBJ Statement No. 31, March 31, 2020） has been applied from 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.

Asset Acquired and Liabilities Assumed by the Business Combination

Effective April 1, 2021, the Companies integrated their businesses with Hitachi Capital. Assets acquired and liabilities assumed at the acquisition date were recorded based on the acquisition costs allocated according to fair values at the acquisition date. The fair value was calculated using appraisal models appropriate to each business operations based on future cash flows from assets and liabilities, discount rates and estimated replacement costs.

Details of assets acquired and liabilities assumed at the acquisition date are described in Note 3.a.. Major assets and liabilities and appraisal models used were as follows:

	Millions of yen	Thousands of U.S. dollars	Appraisal model used
Lease receivables and investments in leases	**¥1,510,238**	**$12,379,006**	DCF model
Receivables – Loans	**782,794**	**6,416,351**	DCF model
Leased assets	**536,791**	**4,399,933**	Replacement costs method
Other operating assets	**83,324**	**682,986**	Replacement costs method
Other assets (valuation amounts of power supply and reception contracts in electricity sales business)	**25,494**	**208,967**	DCF model
Bonds	**996,245**	**8,165,950**	DCF model
Long-term loans from banks and other financial institutions	**1,065,564**	**8,734,138**	DCF model

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 years ended March 31, 2022 and 2021, include 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 ¥926,454 million ($7,593,892 thousand) and ¥832,416 million at March 31, 2022 and 2021, respectively, 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.

Impairment losses on aircraft of ¥2,673 million ($21,917 thousand) and ¥1,691 million were included in costs in the accompanying consolidated statements of income for the years ended March 31, 2022 and 2021, respectively.

Valuation of Goodwill

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

Future cash flows for the remaining amortization period of goodwill used in determining recoverable amounts are estimated mainly based on historical business results, 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.

The Companies recorded ¥90,326 million ($740,382 thousand) and ¥57,277 million of goodwill for the years ended March 31, 2022 and 2021, respectively.

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 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 the amount considered to be appropriate based on the Companies' past credit loss experiences and 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. In addition, based on the expected credit loss model, the consolidated foreign subsidiaries which adopt IFRS record allowance for doubtful receivables by measuring their expected credit losses based on the allowance ratio, etc., that is adjusted considering current and future economic situations, mainly depending on their past credit loss experiences.

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 ¥99,448 million ($815,147 thousand) and ¥28,296 million for the years ended March 31, 2022 and 2021, respectively.

3. Business Combinations

Acquisition

a. Business integration with Hitachi Capital

Effective April 1, 2021, Mitsubishi UFJ Lease and 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 of the acquired company

Name: Hitachi Capital Corporation

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

(2) Main reason 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 was the surviving company, and Hitachi Capital was the merged company

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

(6) The percentage of voting rights acquired

Voting ratio held immediately before the business combination	4.20%
Voting ratio after the acquisition	100.00%

(7) Background for determining the acquiring company
The type of consideration of the business combination was the shares and the Company was to issue those shares. The shareholders of the Company before the combination were going to acquire the largest share of the voting ratios after the combination. These reasons made the Company to be the acquiring company.

2. The period for which the operations of the acquired company are included in the Company's consolidated statement of income for the year ended March 31, 2022

April 1, 2021, to March 31, 2022

3. 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**	**$137,091**
Consideration	Fair value of common stock of the Company issued on the business combination date	**381,480**	**3,126,886**
Acquisition cost		**¥398,205**	**$3,263,977**

4. 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.

5. 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**	**$53,234**

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

	Millions of yen	Thousands of U.S. dollars
Loss on step acquisition	**¥229**	**$1,878**

7. The amount of gain from bargain purchase recognized and reason for recognition

(1) The amount of gain from bargain purchase

¥431 million ($3,538 thousand)

(2) Reason for recognition

As a result of the identification of identifiable assets and liabilities on the business combination date, the calculation of fair value, and the allocation of acquisition cost based on this calculation, the net assets on the business combination date surpassed the acquisition cost, therefore, the difference was recognized as gain from bargain purchase.

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

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥2,853,966**	**$23,393,168**
Property and equipment, Investments and other assets	**860,780**	**7,055,574**
Deferred assets	**978**	**8,020**
Total assets	**¥3,715,725**	**$30,456,763**
Current liabilities	**¥1,376,757**	**$11,284,896**
Long-term liabilities	**1,921,232**	**15,747,810**
Total liabilities	**¥3,297,990**	**$27,032,706**

b. Acquisition of shares of CAI

At the Board of Director's meeting held on June 18, 2021, the Company resolved to acquire all the outstanding shares of 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. Pursuant to the merger agreement, the Company completed the procedures to acquire CAI on November 22, 2021 and made CAI Inc. a wholly owned subsidiary.

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 acquired 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 sixth 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) Date of the business combination

November 22, 2021

(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 acquired the majority of voting rights of CAI for cash consideration.

2. The period for which the operations of the acquired company are included in the Company's consolidated statement of income for the year ended March 31, 2022

November 23, 2021, to December 31, 2021

3. Details of acquisition cost and consideration by type

		Millions of yen	Thousands of U.S. dollars
Consideration	Cash	**¥124,190**	**$1,017,958**
Acquisition cost		**¥124,190**	**$1,017,958**

4. Details and amount of major acquisition-related cost

	Millions of yen	Thousands of U.S. dollars
Fees and commissions for advisory services, etc.	**¥1,595**	**$13,080**

5. The amount of goodwill recognized and reason for recognition

(1) The amount of goodwill
¥33,613 million ($275,518 thousand)

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

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

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

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥127,629**	**$1,046,145**
Property and equipment, Investments and other assets	**337,407**	**2,765,633**
Deferred assets	**6**	**54**
Total assets	**¥465,043**	**$3,811,833**
Current liabilities	**¥38,173**	**$312,893**
Long-term liabilities	**302,356**	**2,478,332**
Total liabilities	**¥340,529**	**$2,791,226**

7. Estimated impact on the consolidated statement of income for the year ended March 31, 2022, assuming the business combination was completed at the beginning of the current fiscal year

	Millions of yen	Thousands of U.S. dollars
Total revenues	**¥49,498**	**$405,724**
Operating profit	**15,024**	**123,151**
Net income before income taxes	**14,951**	**122,553**
Net loss attributable to owners of the parent	**(5,541)**	**(45,418)**

	Yen	U.S. dollars
Basic net loss per share	**¥(3.86)**	**$(0.032)**

(Method of estimating the impact)
The above amounts were estimated as the difference between the amount of total revenue and income calculated with the assumption that the business combination was completed at the beginning of the current fiscal year and the amount of total revenue and income recorded in the consolidated statements of income of the Company. Also, the difference include amortization of goodwill for the period from the beginning of the current fiscal year to the deemed acquisition date of the business combination. The estimated amounts of the impact of the business combination have not been audited.

Business Divestitures
c. Transfer of 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

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

	Millions of yen
Current assets	¥73,732
Property and equipment, Investments and other assets	2,718
Total assets	¥76,451
Current liabilities	¥44,681
Long-term liabilities	26,412
Total liabilities	¥71,094

(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
Revenues	¥19,016
Operating income	1,077

4. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Marketable securities	**¥2,019**	¥5,469	**$16,552**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**168,891**	150,054	**1,384,354**
Other securities	**207,754**	207,737	**1,702,904**
Total	**¥378,665**	¥363,260	**$3,103,811**

Marketable and investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Equity securities	**¥164,751**	¥185,657	**$1,350,420**
Debt securities	**22,423**	10,610	**183,800**
Trust fund investments and other	**191,490**	166,993	**1,569,590**
Total	**¥378,665**	¥363,260	**$3,103,811**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2022 and 2021, were as follows:

	Millions of yen			
March 31, 2022	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**¥27,152**	**¥15,508**	**¥(232)**	**¥42,428**
Debt securities	**22,466**	**8**	**(51)**	**22,423**
Trust fund investments and other	**2,331**			**2,331**
Total	**¥51,951**	**¥15,516**	**¥(284)**	**¥67,183**

	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

	Thousands of U.S. dollars			
March 31, 2022	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**$222,563**	**$127,117**	**$(1,909)**	**$347,771**
Debt securities	**184,154**	**68**	**(422)**	**183,800**
Trust fund investments and other	**19,112**			**19,112**
Total	**$425,830**	**$127,185**	**$(2,332)**	**$550,684**

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

	Carrying amount Millions of yen 2021
Investments in unconsolidated subsidiaries and associated companies	¥148,169
Available for sale:	
Equity securities	28,608
Trust beneficiary interests	2,068
Silent partnership and other	102,299
Total	¥281,146

Carrying amounts of nonmarketable equity securities and investments in partnerships, etc., that the equity interest equivalents are recorded as net in the consolidated balance sheet as of March 31, 2022 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	**2022**
Nonmarketable equity securities:		
Shares of subsidiaries and associated companies	**¥95,132**	**$779,774**
Unlisted shares	**27,190**	**222,874**
Total	**¥122,323**	**$1,002,649**

	Millions of yen	Thousands of U.S. dollars
	2022	**2022**
Investments in partnership, etc.:		
Trust beneficiary interests	**¥2,240**	**$18,362**
Silent partnership interests and other	**117,835**	**965,862**
Unconsolidated subsidiaries and associated companies	**63,853**	**523,391**
Total	**¥183,929**	**$1,507,617**

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Proceeds	**¥46,155**	¥15,435	**$378,321**
Realized gains	**33,682**	11,149	**276,090**
Realized losses	**(118)**	(242)	**(971)**

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Equity securities	**¥145**	¥106	**$1,190**
Trust fund investments and other		1	
Total	**¥145**	¥108	**$1,190**

5. Inventories

Inventories as of March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Merchandise	**¥21,731**	¥12,664	**$178,124**
Real estate for resale	**26,511**	14,803	**217,304**
Total	**¥48,242**	¥27,468	**$395,428**

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 ¥17,157 million ($140,636 thousand) and ¥12,369 million for the fiscal years ended March 31, 2022 and 2021, respectively. The net gain from sales of those properties was ¥9,031 million for the fiscal year ended March 31, 2021.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2022 and 2021, were as follows:

Millions of yen			
2022			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
¥318,620	**¥99,505**	**¥418,126**	**¥482,922**

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

Thousands of U.S. dollars			
2022			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
$2,611,644	**$815,621**	**$3,427,265**	**$3,958,382**

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, 2022, was primarily attributable to a ¥73,370 million ($601,395 thousand) increase due to the merger with Hitachi Capital. Net change during the fiscal year ended March 31, 2021, was primarily attributable to a ¥22,151 million decrease from the sales of real estate.

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

7. Lease Receivables and Investments in Leases

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2022, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2022**	**2022**
2023	**¥441,924**	**$3,622,328**
2024	**345,144**	**2,829,056**
2025	**266,042**	**2,180,677**
2026	**160,547**	**1,315,966**
2027	**99,550**	**815,989**
Thereafter	**208,443**	**1,708,552**
Total	**¥1,521,653**	**$12,472,573**

Investments in leases as of March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Gross investments in leases	**¥2,251,727**	¥1,384,225	**$18,456,784**
Residual values	**84,144**	41,591	**689,706**
Unearned interest income	**(409,033)**	(286,333)	**(3,352,731)**
Total	**¥1,926,838**	¥1,139,482	**$15,793,758**

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2022, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2022**	**2022**
2023	**¥598,133**	**$4,902,732**
2024	**482,513**	**3,955,027**
2025	**362,677**	**2,972,769**
2026	**253,092**	**2,074,524**
2027	**140,631**	**1,152,715**
Thereafter	**414,679**	**3,399,014**
Total	**¥2,251,727**	**$18,456,784**

The consolidated balance sheets' amounts of sublease contracts, including those that aim to disperse credit risks, including interest as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Lease receivables	**¥22,955**	¥26,938	**$188,158**
Investments in leases	**41,523**	56,520	**340,358**
Lease obligations	**65,635**	86,444	**537,995**

"Lease receivables and investments in leases" include receivables from hire-purchase contract of the consolidated foreign subsidiaries which adopt IFRS.

As disclosed in Note 2, "Summary of Significant Accounting Policies," the changes in accounting policy for the year ended March 31, 2022 have been retrospectively applied and the amount for the year ended March 31, 2021 have been modified to reflect retrospective adjustments.

8. Leased Assets

The minimum future rentals on lease contracts as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Due within one year	**¥291,470**	¥174,287	**$2,389,105**
Due after one year	**1,177,714**	767,278	**9,653,397**
Total	**¥1,469,185**	¥941,566	**$12,042,503**

9. Goodwill

Goodwill as of March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Goodwill in connection with acquisition	¥10,587	¥12,704	$86,779
Consolidation goodwill	79,739	44,573	653,602
Total	¥90,326	¥57,277	$740,382

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

10. Long-Lived Assets

The Companies reviewed their long-lived assets for impairment as of March 31, 2022 and 2021. As a result, the Companies recognized impairment losses of ¥3,549 million ($29,090 thousand) on the following long-lived assets in costs in the accompanying consolidated statement of income for the year ended March 31, 2022.

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2022		
Leased assets	Aircraft	¥2,673	$21,917
Leased assets	Aircraft engine	876	7,187

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

The recoverable value of the assets is mainly calculated based on the value in use, and the value in use is evaluated based on the future cash flows discounted mainly by 3.7%.

The Companies recognized impairment losses of ¥2,578 million 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
	2021	
Leased assets	Aircraft	¥1,691
Leased assets	Aircraft engine	886

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.

11. Pledged Assets

As of March 31, 2022, 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
	2022	**2022**
Cash, cash equivalents, and time deposits other than cash equivalents	**¥18,751**	**$153,704**
Receivables — loans	**144,831**	**1,187,142**
Receivables — installment sales	**10,344**	**84,793**
Receivables — lease	**10**	**87**
Lease receivables and investments in leases	**539,490**	**4,422,049**
Inventories	**11,088**	**90,889**
Current assets — other	**22,307**	**182,846**
Leased assets	**943,312**	**7,732,070**
Other operating assets	**96,628**	**792,036**
Investment securities	**35,410**	**290,249**
Investments and other assets — other	**2,725**	**22,336**
Future rentals on operating lease contracts	**5,130**	**42,056**
Total	**¥1,830,031**	**$15,000,261**

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	**2022**
Short-term loans from banks and other financial institutions	**¥202**	**$1,655**
Bonds	**11,009**	**90,238**
Long-term loans from banks and other financial institutions	**746,611**	**6,119,766**
Loans from the securitizations of the minimum future rentals on lease contracts	**602,807**	**4,941,041**
Long-term liabilities — other	**1,485**	**12,176**
Total	**¥1,362,115**	**$11,164,879**

12. Nonrecourse Loans

Nonrecourse loans as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Current maturities of nonrecourse long-term loans	**¥3,829**	¥10,916	**$31,391**
Nonrecourse bond	**100**	100	**819**
Nonrecourse long-term loans, less current maturities	**34,862**	53,354	**285,756**
Total	**¥38,792**	¥64,371	**$317,968**

Pledged assets for nonrecourse loans as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Receivables — loans		¥6,722	
Inventories	**¥6,720**	6,664	**$55,085**
Leased assets	**52,477**	74,396	**430,145**
Total	**¥59,198**	¥87,783	**$485,230**

13. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Short-term loans from banks and other financial institutions:			
0.98%	**¥591,431**		**$4,847,798**
0.49%		¥236,730	
Commercial paper:			
0.14%	**¥682,593**		**$5,595,031**
0.02%		¥434,171	

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Bonds:			
Bonds without collateral:			
Due 2022-2036, 0.010%-0.963%	**¥1,103,047**		**$9,041,372**
Due 2021-2036, 0.010%-0.890%		¥682,000	
Subordinated bonds without collateral with interest deferral and early redemption clauses:			
Due 2076-2081, 0.630%-1.310%	**110,138**		**902,774**
U.S. dollar bonds without collateral:			
Due 2022-2030, 2.652%-3.967%	**281,497**		**2,307,352**
Due 2022-2030, 2.652%-3.967%		287,846	
U.S. dollar bonds issued under the Medium Term Note (MTN) program:			
Due 2021, 2.250%		55,348	
Euroyen bonds issued under the MTN program:			
Due 2022-2024, 0.010%-0.180%	**65,200**		**534,426**
Due 2021-2024, 0.010%-0.180%		71,000	
Bonds without collateral issued by Bangkok Mitsubishi HC Capital Co., Ltd. (*1):			
Due 2023-2024, 0.130% - 0.260%	**3,029**		**24,828**
Due 2023-2024, 0.130% - 0.260%		3,039	
U.S. dollar bonds without collateral issued by Bangkok Mitsubishi HC Capital Co., Ltd. (*1):			
Due 2022, 0.155% - 0.202%	**3,456**		**28,333**
Due 2022, 0.217% - 0.221%		3,117	
Thai baht bond without collateral issued by Bangkok Mitsubishi HC Capital Co., Ltd. (*1):			
Due 2021, 2.420%		3,440	
U.S. dollar bonds without collateral issued by Jackson Square Aviation Ireland Ltd.:			
Due 2024-2028, 3.520%-3.990%	**34,506**		**282,836**
Due 2024-2028, 3.520%-3.990%		31,050	
U.S. dollar bonds without collateral issued by Engine Lease Finance Corporation:			
Due 2026-2031, 4.480%-4.730%	**23,004**		**188,557**
Due 2026-2031, 4.480%-4.730%		20,700	
U.S. dollar bonds issued under the MTN program by MHC America Holdings Corporation (*2):			
Due 2022-2030, 1.249 % -3.097%	**79,553**		**652,077**
Due 2022-2030, 0.952 % -3.097%		66,426	
U.S. dollar bond with collateral issued by Container Applications Limited, LLC:			
Due 2022, 4.900%	**4,664**		**38,234**
Sterling pound bonds issued under MTN program by Mitsubishi HC Capital UK PLC:			
Due 2022-2027, 0.833%-2.200%	**55,671**		**456,322**
Euro bonds issued under MTN program by Mitsubishi HC Capital UK PLC:			
Due 2022-2029, 1.220%-1.810%	**195,901**		**1,605,753**
U.S. dollars bonds issued under MTN program by Mitsubishi HC Capital UK PLC:			
Due 2022-2029, 1.260%-2.154%	**54,023**		**442,813**
Bonds issued under MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2026, 1.340%-2.350%	**149,185**		**1,222,835**

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Hong Kong dollars bonds issued under MTN program by Mitsubishi HC Capital UK PLC:			
Due 2022-2026, 1.532%-1.710%	**¥14,873**		**$121,915**
Chinese yuan bonds issued under MTN program by Mitsubishi HC Capital UK PLC:			
Due 2022-2023, 1.510%-1.816%	**5,784**		**47,414**
Australian dollars bonds issued under MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2029, 1.410%-1.910%	**12,474**		**102,249**
Swiss franc bond issued under MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023, 1.140%	**3,690**		**30,249**
U.S. dollars bonds without collateral issued under MTN program by Mitsubishi HC Capital America, Inc.:			
Due 2022-2027, 0.699%-3.916%	**44,807**		**367,276**
U.S. dollars bond without collateral issued by Mitsubishi HC Capital Management (China) Limited:			
Due 2022, 1.706%	**12,278**		**100,640**
Bonds— other (*3):	**7,103**	¥240	**58,225**
Total	**¥2,263,891**	¥1,224,206	**$18,556,489**

(*1) Formerly Bangkok Mitsubishi UFJ Lease Co., Ltd.
(*2) Formerly MUL Asset Finance Corporation
(*3) Bonds— other includes nonrecourse bonds of ¥100 million ($819 thousand) and ¥100 million at March 31, 2022 and 2021, respectively.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 1.15%	**¥806,645**		**$6,611,848**
Due 2023-2050, 1.53%	**3,078,334**		**25,232,251**
Due within one year, 0.83%		¥361,427	
Due 2022-2037, 1.44%		2,207,918	
Total	**¥3,884,980**	¥2,569,345	**$31,844,099**
Nonrecourse loans:			
Due within one year, 0.92%	**¥3,829**		**$31,391**
Due 2023-2032, 0.87%	**34,862**		**285,756**
Due within one year, 1.07%		¥10,916	
Due2027-2032, 1.13%		53,354	
Total	**¥38,692**	¥64,271	**$317,148**
Lease obligations, including fixed interests:			
Due within one year	**¥21,676**		**$177,680**
Due 2023-2049	**53,331**		**437,140**
Due within one year		¥23,133	
Due 2022-2037		66,667	
Total	**¥75,008**	¥89,800	**$614,820**
Loans from the securitizations of the minimum future rentals on lease contracts:			
Due within one year, 0.47%	**¥247,900**		**$2,031,970**
Due 2023-2031, 0.96%	**356,592**		**2,922,890**
Due within one year, 0.30%		¥61,995	
Due 2022-2029, 0.64%		44,234	
Total	**¥604,493**	¥106,230	**$4,954,861**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥162**		**$1,330**
Due 2023-2039	**1,872**		**15,347**
Due within one year		¥52	
Due 2022-2035		1,395	
Total	**¥2,034**	¥1,448	**$16,677**

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, 2022 and 2021.

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, 2022, the Company has not received any such request.

Annual maturities of long-term debt as of March 31, 2022, for the next five years were as follows:

	Millions of yen				
March 31, 2022	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	¥591,431				
Commercial paper	682,593				
Bonds	443,647	¥529,870	¥375,099	¥261,638	¥132,017
Long-term loans from banks and other financial institutions	806,645	964,547	727,161	363,066	354,839
Nonrecourse loans	3,829	3,790	3,854	3,920	3,988
Lease obligations	21,676	18,155	13,028	7,951	3,728
Loans from the securitizations of the minimum future rentals on lease contracts and other	248,062	149,795	89,179	39,547	16,903
Total	¥2,797,887	¥1,666,158	¥1,208,322	¥676,124	¥511,478

	Thousands of U.S. dollars				
March 31, 2022	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	$4,847,798				
Commercial paper	5,595,031				
Bonds	3,636,454	$4,343,202	$3,074,586	$2,144,580	$1,082,113
Long-term loans from banks and other financial institutions	6,611,848	7,906,124	5,960,338	2,975,951	2,908,524
Nonrecourse loans	31,391	31,066	31,594	32,137	32,691
Lease obligations	177,680	148,812	106,789	65,172	30,561
Loans from the securitizations of the minimum future rentals on lease contracts and other	2,033,301	1,227,831	730,976	324,159	138,555
Total	$22,933,507	$13,657,038	$9,904,285	$5,542,000	$4,192,445

The Company and certain consolidated subsidiaries had loan commitment agreements as of March 31, 2022 and 2021, amounting to ¥920,238 million ($7,542,939 thousand) and ¥447,248 million, respectively, of which ¥678,198 million ($5,559,006 thousand) and ¥447,248 million, respectively, were unused.

14. Retirement and Pension Plans

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

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

The liabilities for retirement benefits for directors and Audit and Supervisory Board members of the consolidated domestic subsidiaries at March 31, 2022 and 2021, were ¥136 million ($1,118 thousand) and ¥112 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, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of year	**¥26,322**	¥25,269	**$215,755**
Current service cost	**2,966**	1,407	**24,314**
Interest cost	**509**	130	**4,177**
Actuarial (losses) gains	**(191)**	360	**(1,572)**
Benefits paid	**(2,530)**	(718)	**(20,742)**
Change in the scope of consolidation		(127)	
Increase due to the merger	**63,944**		**524,134**
Balance at end of year	**¥91,020**	¥26,322	**$746,066**

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of year	**¥23,282**	¥21,954	**$190,842**
Expected return on plan asset	**1,564**	363	**12,822**
Actuarial gains	**1,197**	360	**9,815**
Contributions from the employer	**2,075**	1,124	**17,010**
Benefits paid	**(1,987)**	(520)	**(16,287)**
Increase due to the merger	**57,624**		**472,330**
Balance at end of year	**¥83,757**	¥23,282	**$686,534**

(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
	2022	2021	**2022**
Funded defined benefit obligation	**¥87,488**	¥25,436	**$717,121**
Plan assets	**(83,757)**	(23,282)	**(686,534)**
	3,731	2,153	**30,587**
Unfunded defined benefit obligation	**3,531**	885	**28,944**
Net liability arising from defined benefit obligation	**¥7,262**	¥3,039	**$59,532**
Liability for retirement benefits	**¥8,856**	¥3,060	**$72,594**
Asset for retirement benefits	**(1,593)**	(21)	**(13,062)**
Net liability arising from defined benefit obligation	**¥7,262**	¥3,039	**$59,532**

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Service cost	**¥2,966**	¥1,407	**$24,314**
Interest cost	**509**	130	**4,177**
Expected return on plan assets	**(1,564)**	(363)	**(12,822)**
Recognized actuarial losses	**233**	403	**1,912**
Amortization of prior service cost	**(95)**	87	**(779)**
Others	**19**	5	**158**
Net periodic benefit costs	**¥2,069**	¥1,671	**$16.960**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Prior service cost	**¥(95)**	¥87	**$(779)**
Actuarial gains	**1,622**	393	**13,300**
Total	**¥1,527**	¥480	**$12,520**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrecognized prior service cost	**¥(364)**	¥(459)	**$(2,989)**
Unrecognized actuarial losses	**115**	1,737	**944**
Total	**¥(249)**	¥1,278	**$(2,044)**

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2022	2021
General account	**14%**	44%
Debt investments	**40**	23
Equity investments	**20**	16
Alternative investments*	**15**	16
Others	**11**	1
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, 2022 and 2021, were set forth as follows:

	2022	2021
Discount rate	**0.22-0.73%**	0.56%
Expected rate of return on plan assets	**1.7-2.0**	1.7

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

(9) Defined contribution pension plans

Contributions to defined contribution pension plans for the years ended March 31, 2022 and 2021, were ¥2,016 million ($16,525 thousand) and ¥811 million, respectively.

15. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2022, totaling ¥236,114 million ($1,935,366 thousand), where the used portion is ¥66,353 million ($543,877 thousand), and the unused portion is ¥169,761 million ($1,391,489 thousand). This amount includes unused portions of the facilities which will not necessarily be utilized in full because these facilities are subject to periodic reviews of the borrower's purpose for the loan, credit standing, etc.

The Companies are contingently liable as of March 31, 2022, as guarantor or co-guarantor for operating transactions of ¥36,350 million ($297,955 thousand), and borrowings and others of ¥191 million ($1,572 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 26).

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.

As described in Note 3.a., on April 1, 2021, the Company issued shares as a consideration of Business Integration with Hitachi Capital.

Number of shares issued:	Common stock: 571,078,084 shares
Increase in capital surplus:	¥381,480 million ($3,126,886 thousand)

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

The stock options outstanding as of March 31, 2022, 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 ($2.05)	¥283.1 ($2.32)	¥312.8 ($2.56)

	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 ($4.11)	¥490 ($4.01)	¥546 ($4.47)

	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 ($3.57)	¥566 ($4.63)	¥590 ($4.83)

	2020 stock option	2021 stock option	**2022 stock option**
Persons granted	5 directors 30 executive officers	5 directors 31 executive officers	**6 directors 55 executive officers**
Number of options granted*	490,400	507,000	**866,300**
Date of grant	July 12, 2019	July 15, 2020	**July 15, 2021**
The fair value of options granted under the plan at the grant dates*	¥513 ($4.20)	¥424 ($3.47)	**¥499 ($4.09)**

The total stock-based compensation costs recognized for the years ended March 31, 2022 and 2021, were ¥432 million ($3,543 thousand) and ¥214 million, respectively.

The fair value of 2022 stock option is estimated using the Black-Scholes option-pricing model with the assumptions noted as follows in the table:

	2022 stock option
Volatility of stock price	**31.25%**
Estimated remaining outstanding period	**4.7 years**
Estimated dividend	**4.20%**
Risk-free interest rate	**(0.13)%**

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 ¥25.5 ($0.20) made in the preceding year for the year ended March 31, 2022. 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, 2022 and 2021, was as follows:

	2011 stock option	2012 stock option	2013 stock option	2014 stock option
	Number of shares*			
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
For the year ended March 31, 2022				
Outstanding at beginning of fiscal year	**52,100**	**109,700**	**239,800**	**188,500**
Granted				
Canceled or expired				
Exercised		**55,500**	**85,200**	**36,300**
Outstanding at end of fiscal year	**52,100**	**54,200**	**154,600**	**152,200**
Vested at end of fiscal year	**52,100**	**54,200**	**154,600**	**152,200**

	2015 stock option	2016 stock option	2017 stock option	2018 stock option
	Number of shares*			
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
For the year ended March 31, 2022				
Outstanding at beginning of fiscal year	**214,400**	**241,600**	**340,000**	**441,100**
Granted				
Canceled or expired				
Exercised	**22,100**	**13,200**		**27,000**
Outstanding at end of fiscal year	**192,300**	**228,400**	**340,000**	**414,100**
Vested at end of fiscal year	**192,300**	**228,400**	**340,000**	**414,100**

	2019 stock option	2020 stock option	2021 stock option	**2022 stock option**
	Number of shares*			
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	
For the year ended March 31, 2022				
Outstanding at beginning of fiscal year ..	**403,000**	**490,400**	**507,000**	
Granted				**866,300**
Canceled or expired				
Exercised..	**19,400**	**10,700**	**10,700**	**16,000**
Outstanding at end of fiscal year............	**383,600**	**479,700**	**496,300**	**850,300**
Vested at end of fiscal year.....................	**383,600**	**479,700**	**496,300**	**850,300**

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

18. Revenue Recognition

(1) Disaggregation of revenue

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2022, were as follows:

	Millions of yen						
	Reportable segment						
Year Ended March 31, 2022	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Revenues:							
Sales from maintenance contracts		**¥39,572**	**¥ 88**	**¥651**		**¥15**	
Sales from selling merchandise	**¥7,365**	**8,975**	**74**	**160**	**¥4,528**		**¥5,497**
Electricity sales	**84**	**8**				**34,507**	
Sales from disposal of lease properties (2)	**30**	**30,954**					
Others	**1,664**	**17,145**	**118**	**2,103**	**2,490**	**976**	**7,091**
Revenue from contracts with customers	**9,145**	**96,658**	**282**	**2,915**	**7,019**	**35,499**	**12,588**
Other revenue (3)	**562,054**	**340,957**	**145,882**	**100,766**	**98,908**	**12,247**	**143,938**
Total	**¥571,200**	**¥437,615**	**¥146,165**	**¥103,682**	**¥105,927**	**¥47,746**	**¥156,526**

	Millions of yen				
	Reportable segment				
Year Ended March 31, 2022	Logistics	Mobility	Others	Adjustments (1)	Consolidated
Revenues:					
Sales from maintenance contracts		**¥7,650**	**¥26**		**¥48,006**
Sales from selling merchandise		**1,972**	**3,522**		**32,096**
Electricity sales					**34,600**
Sales from disposal of lease properties (2)		**9,034**			**40,020**
Others	**¥466**	**851**	**2,857**	**¥1,523**	**37,289**
Revenue from contracts with customers	**466**	**19,509**	**6,405**	**1,523**	**192,014**
Other revenue (3)	**52,916**	**73,280**	**49,967**	**(7,374)**	**1,573,545**
Total	**¥53,382**	**¥92,790**	**¥56,373**	**¥(5,850)**	**¥1,765,559**

Year Ended March 31, 2022	Thousands of U.S. dollars						
	Reportable segment						
	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Revenues:							
Sales from maintenance contracts		$324,368	$728	$5,340		$130	
Sales from selling merchandise	$60,375	73,571	614	1,315	$37,120		$45,057
Electricity sales	696	70				282,847	
Sales from disposal of lease properties (2)	249	253,728					
Others	13,642	140,539	972	17,244	20,412	8,002	58,126
Revenue from contracts with customers	74,963	792,279	2,315	23,900	57,533	290,979	103,183
Other revenue (3)	4,607,006	2,794,732	1,195,761	825,958	810,722	100,388	1,179,820
Total	$4,681,969	$3,587,011	$1,198,076	$849,858	$868,255	$391,368	$1,283,003

Year Ended March 31, 2022	Thousands of U.S. dollars				
	Reportable segment				
	Logistics	Mobility	Others	Adjustments (1)	Consolidated
Revenues:					
Sales from maintenance contracts		$62,712	$213		$393,493
Sales from selling merchandise		16,165	28,870		263,089
Electricity sales					283,614
Sales from disposal of lease properties (2)		74,056			328,035
Others	$3,821	6,981	23,421	$12,489	305,654
Revenue from contracts with customers	3,821	159,916	52,505	12,489	1,573,888
Other revenue (3)	433,739	600,660	409,571	(60,448)	12,897,911
Total	$437,560	$760,576	$462,077	$(47,958)	$14,471,799

Notes:
(1) Adjustments include ¥(7,571) million ($(62,064) thousand) of adjusted amount of sales following the merger with Hitachi Capital to which the purchase method was applied.
(2) Sales from disposal of lease properties are sales from disposal of lease properties due to lease contract maturities of the consolidated foreign subsidiaries which adopt IFRS or U.S. GAAP.
(3) Other revenue primarily includes revenue from finance lease, operating lease, loans, and installment sales.

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

(2) Contract balances
Receivables from contracts with customers, contract assets, and contract liabilities as of March 31, 2022, are as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Receivables from contracts with customers (1)	¥10,739	$88,024
Contract assets		
Contract liabilities (2)	5,594	45,855

Notes:
(1) Receivables arising from contracts with customers are included in “Receivables — Lease” and “Prepaid expenses and other” in the consolidated balance sheet.
(2) Contract liabilities are included in “Other current liabilities” in the consolidated balance sheet.

19. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Provision for doubtful receivables	**¥37,477**	¥15,095	**$307,189**
Employees' salaries, bonuses, and allowances	**62,303**	25,053	**510,680**
Other	**120,789**	58,018	**990,075**
Total	**¥220,569**	¥98,166	**$1,807,945**

20. Gain on Step Acquisition

The Company recognized no step acquisition gain for the year ended March 31, 2022.

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.

21. Compensation Income

The Companies recognized no compensation income for the year ended March 31, 2022.

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

22. Related-Party Transactions (As restated*)

* Refer to *4, *5 and *6

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, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Interest expense*1	**¥8,206**	¥7,630	**$67,267**
Interest expense (U.S. dollars)*1	**N/A**	N/A*2	**55,710**
Lease revenue	**17,957**	17,511	**147,196**

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

*2 $52,376 thousand

Amounts due from and to subsidiaries of Mitsubishi UFJ Financial Group, Inc. or Mitsubishi Corporation, which has significant influence over the Company, as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Lease receivables and investments in leases*3	**¥111,623**	¥117,140	**$914,943**
Short-term loans	**43,113**	33,000	**353,385**
Short-term loans (U.S. dollars)	**N/A**	N/A*5	**871,160**
Long-term loans, including current maturities	**355,225**	331,321	**2,911,686**
Long-term loans, including current maturities (U.S. dollars) *4	**N/A**	N/A*6	**2,517,908**

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

*4 The balance of long-term loans (U.S. dollars) secured by the foregoing assets as of March 31, 2022 and 2021, were $1,353,004 thousand and $1,302,604 thousand, respectively. (This information was not previously disclosed)

*5 $100,000 thousand

*6 $2,402,604 thousand

23. 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, 2022 and 2021.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Deferred tax assets:			
Tax loss carryforwards	**¥79,956**	¥61,441	**$655,377**
Allowance for doubtful receivables	**16,127**	10,908	**132,191**
Advances received — leases	**11,292**	5,744	**92,559**
Asset retirement obligations	**10,646**	5,783	**87,267**
Accrued expenses	**10,390**	4,860	**85,165**
Other	**40,162**	27,044	**329,200**
Total of tax loss carryforwards and temporary differences	**168,574**	115,782	**1,381,762**
Less valuation allowance for tax loss carryforwards	**(4,451)**	(2,801)	**(36,490)**
Less valuation allowance for temporary differences	**(8,824)**	(3,194)	**(72,329)**
Total valuation allowance[*3]	**(13,276)**	(5,996)	**(108,820)**
Less deferred tax liabilities	**(117,161)**	(99,556)	**(960,336)**
Net deferred tax assets	**¥38,137**	¥10,229	**$312,605**

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	**¥181,141**	¥115,678	**$1,484,762**
Other	**44,600**	36,694	**365,581**
Total deferred tax liabilities	**225,741**	152,372	**1,850,344**
Less deferred tax assets	**(117,161)**	(99,556)	**(960,336)**
Net deferred tax liabilities	**¥108,580**	¥52,816	**$890,008**

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

	Millions of yen				
March 31, 2022	One year or less	After one year through five years	After five years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards[*1]	**¥297**	**¥3,320**	**¥2,259**	**¥74,078**	**¥79,956**
Less valuation allowances for tax loss carryforwards	**(138)**	**(1,825)**	**(1,684)**	**(803)**	**(4,451)**[*3]
Net deferred tax assets relating to tax loss carryforwards[*2]	**159**	**1,494**	**575**	**73,274**	**75,504**

	Millions of yen				
March 31, 2021	One year or less	After one year through five years	After five years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards[*1]	¥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

	Thousands of U.S. dollars				
March 31, 2022	One year or less	After one year through five years	After five years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards[*1]	**$2,442**	**$27,213**	**$18,521**	**$607,200**	**$655,377**
Less valuation allowances for tax loss carryforwards	**(1,136)**	**(14,960)**	**(13,804)**	**(6,589)**	**(36,490)**[*3]
Net deferred tax assets relating to tax loss carryforwards[*2]	**1,306**	**12,252**	**4,716**	**600,611**	**618,886**

*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.

*3 Valuation allowance increased by ¥7,279 million ($59,668 thousand). Major reasons are an increase in valuation allowance for tax loss carryforwards as well as an increase in valuation allowance for allowance for doubtful receivables and valuation allowance for investment securities recorded by subsidiaries newly included in consolidation in relation to the merger with Hitachi Capital.

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 years ended March 31, 2022 and 2021, was not disclosed because the difference was less than 5% of the normal effective statutory tax rate.

As disclosed in Note 2, "Summary of Significant Accounting Policies," the changes in accounting policy for the year ended March 31, 2022 have been retrospectively applied and the amount for the year ended March 31, 2021 have been modified to reflect retrospective adjustments.

24. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Due within one year	**¥4,455**	¥2,848	**$36,523**
Due after one year	**10,352**	4,267	**84,858**
Total	**¥14,808**	¥7,115	**$121,381**

25. 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 26.

(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 26 for more details about derivatives.

(3) Risk management for financial instruments

(a) Credit risk management

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

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

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

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

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

The 10 BPV at March 31, 2022 and 2021, was ¥2,882 million ($23,629 thousand) and ¥2,463 million, respectively. The market risk VaR at March 31, 2022 and 2021, was ¥47,126 million ($386,279 thousand) and ¥35,845 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 President every quarter. Credit risk due to nonfulfillment of contracts by counterparties is managed by setting individual credit limits according to the financing credit rating of the customer.

(4) Supplementary information on fair value of financial instruments

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

(5) Financial instruments categorized by fair value hierarchy

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

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

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

According to Paragraph 5 of *Implementation Guidance on Disclosure about Fair Value of Financial Instruments* (ASBJ Guidance No. 19), nonmarketable equity securities are not included in the tables below. In addition, investment trust funds applying the transitional clause of Paragraph 26 of *Implementation Guidance on Accounting Standard for Fair Value Measurement*, and investments in partnerships, etc., that the equity interest equivalents are recorded as net in the balance sheet applying the transitional clause of Paragraph 27 of *Implementation Guidance on Accounting Standard for Fair Value Measurement* are not included in the tables below.

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

	Millions of yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities (1):				
Equity securities	**¥26,233**		**¥16,194**	**¥42,428**
Government and municipal bonds	**2,604**			**2,604**
Corporate bonds		**¥19,819**		**19,819**
Other			**2,331**	**2,331**
Derivative transactions (2):				
Foreign currency forward contracts		**(44,313)**		**(44,313)**
Interest rate swaps		**4,592**		**4,592**
Total assets	**¥28,838**	**¥ (19,902)**	**¥18,526**	**¥27,462**

	Thousands of U.S. dollars			
March 31, 2022	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities (1):				
Equity securities	**$215,030**		**$132,740**	**$347,771**
Government and municipal bonds	**21,348**			**21,348**
Corporate bonds		**$162,451**		**162,451**
Other			**19,112**	**19,112**
Derivative transactions (2):				
Foreign currency forward contracts		**(363,227)**		**(363,227)**
Interest rate swaps		**37,643**		**37,643**
Total assets	**$236,378**	**$ (163,132)**	**$151,853**	**$225,100**

	Millions of yen		
March 31, 2021	Carrying amount	Fair value	Unrealized gain (loss)
Marketable and investment securities:			
Available-for-sale securities	¥82,114	¥82,114	
Total assets	¥82,114	¥82,114	
Derivative transactions:			
Derivative transactions to which hedge accounting is not applied	¥(1,946)	¥(1,946)	
Derivative transactions to which hedge accounting is applied	(19,266)	(19,266)	
Total derivative transactions	¥(21,213)	¥(21,213)	

Notes:

(1) Investment trust funds applying the transitional clause of Paragraph 26 of *Implementation Guidance on Accounting Standard for Fair Value Measurement* were not included in the tables above. The investment trust funds of ¥5,229 million ($42,861 thousand) are included in "Investment securities" on the consolidated balance sheet as of March 31, 2022.

(2) Carrying amounts of derivative transactions to which hedge accounting is applied were ¥(28,883) million $(236,750 thousand), to which *Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR* (the revised Practical Solution No. 40, March 17, 2022) is applied.

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

	Millions of yen					
	Fair value					
March 31, 2022	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Receivables:						
Installment sales					**¥255,143**	
Deferred profit on installment sales					**(11,110)**	
Allowance for doubtful receivables					**(1,268)**	
Subtotal			**¥251,647**	**¥251,647**	**242,763**	**¥8,884**
Receivables:						
Loans					**1,845,975**	
Allowance for doubtful receivables					**(9,977)**	
Subtotal		**¥211**	**1,854,363**	**1,854,575**	**1,835,998**	**18,576**
Lease receivables and investments in leases					**3,265,267**	
Residual values of investments in leases					**(84,144)**	
Allowance for doubtful receivables					**(8,304)**	
Subtotal		**75,948**	**3,231,741**	**3,307,689**	**3,172,818**	**134,871**
Long-term receivables					**108,188**	
Allowance for doubtful receivables					**(76,769)**	
Subtotal			**31,419**	**31,419**	**31,419**	
Total		**¥76,159**	**¥5,369,172**	**¥5,445,331**	**¥5,282,999**	**¥162,332**
Bonds		**¥2,236,181**		**¥2,236,181**	**¥2,263,891**	**¥(27,710)**
Long-term loans from banks and other financial institutions		**3,877,899**		**3,877,899**	**3,923,672**	**(45,773)**
Loans from the securitizations of the minimum future rentals on lease contracts		**609,674**		**609,674**	**604,493**	**5,180**
Total		**¥6,723,754**		**¥6,723,754**	**¥6,792,057**	**¥(68,302)**

	Thousands of U.S. dollars					
	Fair value					
March 31, 2022	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Receivables:						
Installment sales					$2,091,339	
Deferred profit on installment sales					(91,071)	
Allowance for doubtful receivables..........					(10,399)	
Subtotal.............			$2,062,688	$2,062,688	1,989,868	$72,820
Receivables:						
Loans					15,130,947	
Allowance for doubtful receivables..........					(81,779)	
Subtotal.............		$1,730	15,199,704	15,201,434	15,049,168	152,266
Lease receivables and investments in leases					26,764,486	
Residual values of investments in leases					(689,706)	
Allowance for doubtful receivables..........					(68,073)	
Subtotal.............		622,525	26,489,684	27,112,210	26,006,706	1,105,504
Long-term receivables					886,788	
Allowance for doubtful receivables..........					(629,254)	
Subtotal.............			257,534	257,534	257,534	
Total..........................		$624,256	$44,009,612	$44,633,868	$43,303,277	$1,330,590
Bonds........................		$18,329,356		$18,329,356	$18,556,489	$(227,132)
Long-term loans from banks and other financial institutions		31,786,058		31,786,058	32,161,248	(375,189)
Loans from the securitizations of the minimum future rentals on lease contracts................		4,997,328		4,997,328	4,954,861	42,466
Total..........................		$55,112,743		$55,112,743	$55,672,599	$(559,855)

	Millions of yen		
March 31, 2021	Carrying amount	Fair value	Unrealized gain (loss)
Receivables:			
Installment sales	¥191,043		
Deferred profit on installment sales	(10,095)		
Allowance for doubtful receivables	(428)		
Subtotal	180,519	¥188,039	¥7,519
Receivables:			
Loans	867,738		
Allowance for doubtful receivables	(1,918)		
Subtotal	865,820	892,762	26,942
Lease receivables and investments in leases	1,628,749		
Residual values of investments in leases	(41,591)		
Allowance for doubtful receivables	(1,933)		
Subtotal	1,585,225	1,689,752	104,527
Long-term receivables	39,269		
Allowance for doubtful receivables	(22,479)		
Subtotal	16,789	16,789	
Total	¥2,648,354	¥2,787,344	¥138,989

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	¥3,964,055	¥3,998,902	¥34,847

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

As disclosed in Note 2, "Summary of Significant Accounting Policies," the changes in accounting policy for the year ended March 31, 2022 have been retrospectively applied and the amount for the year ended March 31, 2021 have been modified to reflect retrospective adjustments.

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

The financial assets and liabilities measured at the fair values in the consolidated balance sheet

Marketable and investment securities

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

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

Derivatives

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

The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

Receivables — Installment sales

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

Lease receivables and investments in leases

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

Those calculated by significant non-observable inputs are categorized as Level 3 and others are categorized as Level 2.

Receivables — Loans

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

Long-term receivables

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

Bonds

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

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

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

Long-term loans from banks and other financial institutions

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

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

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

Significant financial instruments measured at the fair values in the consolidated balance sheet

	Valuation method	Significant non-observable inputs	Input range	Weighted average of input
Marketable and investment securities:				
Equity securities	Multiple method	EV/RAV ratio	1.37	1.37

Information for others has been omitted due to quantitative immateriality.

Reconciliation from the beginning balance to the ending balance

	Millions of yen		
	2022		
	Marketable and investment securities		
	Equity securities	Other	Total
Beginning balance	**¥ 9,829**		**¥9,829**
Income and other comprehensive income:			
Income (1)	**226**		**226**
Other comprehensive income (2)	**1,386**		**1,386**
Purchase, sales, and redemption:			
Purchase (3)	**4,776**	**¥3,746**	**8,522**
Sales and redemption	**(24)**	**(1,414)**	**(1,439)**
Reclassified to Level 3			
Reclassified from Level 3			
Ending balance	**16,194**	**2,331**	**18,526**
Income on financial assets and liabilities held at end of year (1)	**226**		**226**

	Thousands of U.S. dollars		
	2022		
	Marketable and investment securities		
	Equity securities	Other	Total
Beginning balance	**$80,573**		**$80,573**
Income and other comprehensive income:			
Income (1)	**1,855**		**1,855**
Other comprehensive income (2)	**11,365**		**11,365**
Purchase, sales, and redemption:			
Purchase (3)	**39,147**	**$30,706**	**69,853**
Sales and redemption	**(201)**	**(11,593)**	**(11,795)**
Reclassified to Level 3			
Reclassified from Level 3			
Ending balance	**132,740**	**19,112**	**151,853**
Income on financial assets and liabilities held at end of year (1)	**1,855**		**1,855**

Notes:

(1) Mainly included in “Revenues” in the consolidated statements of income.

(2) Mainly included in “Net unrealized gain on available-for-sale securities” in the consolidated statements of comprehensive income.

(3) Purchase includes increases due to the merger with Hitachi Capital and transfer from other accounts.

Details of fair value measurement

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

Effect on fair value when significant non-observable inputs changed

EV/RAV ratio

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

Financial instruments whose fair value is not readily determinable

Nonmarketable securities as of March 31, 2021, were summarized as follows:

	Millions of yen
	2021
Shares of subsidiaries and associated companies	¥85,594
Unlisted shares	28,608
Trust beneficiary interests	2,068
Silent partnership interests and other	164,874
Total	¥281,146

Carrying amounts of nonmarketable equity securities and investments in partnerships, etc., that the equity interest equivalents are recorded as net in the consolidated balance sheet as of March 31, 2022

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
	2022	**2022**
Nonmarketable equity securities (1):		
Shares of subsidiaries and associated companies	**¥95,132**	**$779,774**
Unlisted shares	**27,190**	**222,874**
Total	**¥122,323**	**$1,002,649**
Investments in partnership, etc. (2):		
Trust beneficiary interests	**¥2,240**	**$18,362**
Silent partnership interests and other	**117,835**	**965,862**
Unconsolidated subsidiaries and associated companies	**63,853**	**523,391**
Total	**¥183,929**	**$1,507,617**

Notes:

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

(2) Investments in partnership etc., are mainly investments in silent partnerships and limited partnerships and the fair values are not subject to fair value disclosure according to Paragraph 27 of *Implementation Guidance on Accounting Standard for Fair Value Measurement*.

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

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

	Millions of yen					
March 31, 2022	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	**¥520,083**					
Time deposits other than cash equivalents	**12,990**					
Bank overdrafts	**7,868**					
Receivables						
Installment sales (1)	**85,911**	**¥66,045**	**¥46,341**	**¥29,251**	**¥14,826**	**¥12,765**
Loans	**661,374**	**288,379**	**272,777**	**161,525**	**146,037**	**315,880**
Lease receivables and investments in leases (2)	**1,040,057**	**827,658**	**628,720**	**413,639**	**240,182**	**623,123**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**701**	**1,760**	**4,428**	**1,947**	**1,020**	**12,564**
Other	**1,318**	**30,975**	**22,003**	**30,681**	**19,043**	**73,928**
Total	**¥2,330,305**	**¥1,214,820**	**¥974,272**	**¥637,046**	**¥421,111**	**¥1,038,261**

	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 (5)	211,864	118,828	98,764	97,033	71,976	269,271
Lease receivables and investments in leases (2)(5)	474,685	391,911	300,264	210,604	144,705	412,897
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	¥1,048,998	¥581,076	¥448,122	¥363,097	¥235,484	¥752,396

March 31, 2022	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars					
Cash and cash equivalents	**$4,262,981**					
Time deposits other than cash equivalents	**106,477**					
Bank overdrafts	**64,491**					
Receivables						
Installment sales (1)	**704,194**	**$541,359**	**$379,851**	**$239,768**	**$121,532**	**$104,632**
Loans	**5,421,102**	**2,363,769**	**2,235,879**	**1,323,982**	**1,197,030**	**2,589,183**
Lease receivables and investments in leases (2)	**8,525,060**	**6,784,084**	**5,153,447**	**3,390,491**	**1,968,705**	**5,107,567**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**5,749**	**14,430**	**36,302**	**15,963**	**8,366**	**102,988**
Other	**10,803**	**253,899**	**180,358**	**251,487**	**156,098**	**605,968**
Total	**$19,100,861**	**$9,957,543**	**$7,985,839**	**$5,221,691**	**$3,451,733**	**$8,510,339**

(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.
(5) As disclosed in Note 2, "Summary of Significant Accounting Policies," the changes in accounting policy for the year ended March 31, 2022 have been retrospectively applied and the amount for the year ended March 31, 2021 have been modified to reflect retrospective adjustments.

26. Derivatives

Derivative transactions to which hedge accounting is not applied as of March 31, 2022 and 2021, were as follows:

	Millions of yen							
	2022				2021			
	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	**¥70,000**	**¥10,000**	**¥ (8,169)**	**¥ (8,169)**	¥80,000	¥70,000	¥(2,046)	¥(2,046)
Indonesia rupiah payment, Japanese yen receipt	**950**	**950**	**(144)**	**(144)**	1,100		100	100
Chinese yuan payment, U.S. dollars receipt	**417**				734	375	9	9
Foreign exchange forward contracts:								
Selling Sterling pound	**8,065**		**(1,712)**	**(1,712)**				
Buying U.S. dollars	**53**							
Buying Singapore dollars	**7**							
Interest rate swap contracts:								
Fixed-rate payment, floating-rate receipt	**17,365**	**15,112**	**(810)**	**(810)**	330	198	(10)	(10)

	Thousands of U.S. dollars			
	2022			
	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	**$573,770**	**$81,967**	**$(66,966)**	**$(66,966)**
Indonesia rupiah payment, Japanese yen receipt	**7,786**	**7,786**	**(1,184)**	**(1,184)**
Chinese yuan payment, U.S. dollars receipt	**3,420**		**2**	**2**
Foreign exchange forward contracts:				
Selling Sterling pound	**66,113**		**(14,037)**	**(14,037)**
Buying U.S. dollars	**440**		**3**	**3**
Buying Singapore dollars	**61**			
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	**142,336**	**123,876**	**(6,639)**	**(6,639)**

Derivative transactions to which hedge accounting is applied as of March 31, 2022 and 2021, were as follows:

		Millions of yen		
		2022		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Thai baht payment, Japanese yen receipt	Loans, bonds	¥5,500	¥5,500	¥(137)
Thai baht payment, U.S. dollars receipt	Loans, bonds	13,256	5,796	199
Indonesia rupiah payment, Japanese yen receipt	Loans	1,000	1,000	(85)
Indonesia rupiah payment, U.S. dollars receipt	Loans	11,661	4,888	(501)
Indonesia rupiah payment, Singapore dollars receipt	Loans	649	649	(41)
Singapore dollars payment, U.S. dollars receipt	Loans	10,818	8,615	(21)
Chinese yuan payment, U.S. dollars receipt	Loans	6,119		(738)
Hong Kong dollars payment, U.S. dollars receipt	Bonds	12,239		33
Sterling pound payment, Japanese yen receipt	Loans, bonds	187,500	187,500	(27,050)
Sterling pound payment, U.S. dollars receipt	Loans, bonds	56,299	44,672	(1,088)
Sterling pound payment, Euro receipt	Loans, bonds	203,546	146,269	(4,831)
Sterling pound payment, Chinese yuan receipt	Bonds	5,778	1,926	366
Sterling pound payment, Hong Kong dollars receipt	Bonds	15,170	7,194	(468)
Sterling pound payment, Australian dollars receipt	Bonds	11,960	11,960	(213)
Sterling pound payment, Swiss franc receipt	Bonds	3,711	3,711	79
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Loans	5		
Euro payment, Thai baht receipt	Loans	215	156	
Foreign exchange forward contracts:				
Selling U.S. dollars	Forecast transaction	377	282	46
Buying Euro	Commercial paper	61,515		169
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Loans, bonds	63,551	55,507	(1,499)
Fixed-rate payment, floating-rate receipt	Loans, bonds	912,297	678,390	6,901
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Loans	164,157	47,667	

		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	Loans, bonds	¥5,500	¥5,500	¥(216)
Thai baht payment, U.S. dollars receipt	Loans, bonds	15,675	10,473	(1,656)
Indonesia rupiah payment, Japanese yen receipt	Loans	1,000		41
Indonesia rupiah payment, U.S. dollars receipt	Loans	11,031	6,809	(650)
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Loans	240	4	
Euro payment, Thai baht receipt....................	Loans	274	216	
Foreign exchange forward contracts:				
Selling U.S. dollars......................................	Lease receivables	201		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Loans	321,946	266,937	(16,778)
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Loans	5,000		
Fixed-rate payment, floating-rate receipt	Loans	199,657	171,330	

		Thousands of U.S. dollars		
		2022		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Thai baht payment, Japanese yen receipt	Loans, bonds	$45,081	$45,081	$(1,124)
Thai baht payment, U.S. dollars receipt	Loans, bonds	108,656	47,516	1,633
Indonesia rupiah payment, Japanese yen receipt	Loans	8,196	8,196	(703)
Indonesia rupiah payment, U.S. dollars receipt	Loans	95,582	40,072	(4,114)
Indonesia rupiah payment, Singapore dollars receipt	Loans	5,321	5,321	(337)
Singapore dollars payment, U.S. dollars receipt	Loans	88,679	70,621	(173)
Chinese yuan payment, U.S. dollars receipt	Loans	50,159		(6,054)
Hong Kong dollars payment, U.S. dollars receipt	Bonds	100,319		274
Sterling pound payment, Japanese yen receipt	Loans, bonds	1,536,885	1,536,885	(221,726)
Sterling pound payment, U.S. dollars receipt	Loans, bonds	461,470	366,166	(8,925)
Sterling pound payment, Euro receipt	Loans, bonds	1,668,412	1,198,926	(39,600)
Sterling pound payment, Chinese yuan receipt	Bonds	47,360	15,786	3,003
Sterling pound payment, Hong Kong dollars receipt	Bonds	124,350	58,970	(3,843)
Sterling pound payment, Australian dollars receipt	Bonds	98,032	98,032	(1,746)
Sterling pound payment, Swiss franc receipt	Bonds	30,419	30,419	651
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Loans	44		
Euro payment, Thai baht receipt	Loans	1,769	1,279	
Foreign exchange forward contracts:				
Selling U.S. dollars	Forecast transaction	3,093	2,315	377
Buying Euro	Commercial paper	504,211		1,388
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Loans, bonds	520,914	454,975	(12,289)
Fixed-rate payment, floating-rate receipt	Loans, bonds	7,477,848	5,560,579	56,572
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Loans	1,345,551	390,714	

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

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

The cross-currency interest rate swap contracts, interest rate swap contracts, and foreign currency exchange contracts that qualify for hedge accounting and meet specific matching criteria are assigned to the associated loans from banks and other financial institutions and lease receivables recorded in the consolidated balance sheets at March 31, 2022 and 2021, and included in the fair value of hedged items.

27. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥5,749	¥35,633	$47,124
Reclassification adjustments to loss	(29,413)	(9,659)	(241,094)
Amount before income tax effect	(23,664)	25,974	(193,970)
Income tax effect	8,085	(6,128)	66,277
Total	(15,578)	19,845	(127,693)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	10,142	(17,849)	83,135
Reclassification adjustments to profit	8,722	4,458	71,494
Amount before income tax effect	18,864	(13,390)	154,629
Income tax effect	(3,863)	2,874	(31,668)
Total	15,001	(10,516)	122,960
Foreign currency translation adjustments:			
Adjustments arising during the year	69,358	(14,067)	568,514
Reclassification adjustments		(126)	
Amount before income tax effect	69,358	(14,194)	568,514
Income tax effect			
Total	69,358	(14,194)	568,514
Defined retirement benefit plans:			
Adjustments arising during the year	1,389	(9)	11,388
Reclassification adjustments to profit	138	490	1,132
Amount before income tax effect	1,527	480	12,520
Income tax effect	(465)	(150)	(3,817)
Total	1,061	330	8,702
Share of other comprehensive income in associates:			
Gains arising during the year	3,263	327	26,749
Reclassification adjustments to profit	125	455	1,031
Total	3,389	782	27,781
Total other comprehensive income (loss)	¥73,232	¥(3,751)	$600,265

28. Segment Information (As restated)

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

1. Description of reportable segments
In connection with the Business Integration, the Company reorganized the reportable segments of Mitsubishi UFJ Lease and Hitachi Capital and the reportable segments have been changed to 10 segments of "Customer Business," "Account Solution," "Vendor Solution," "LIFE," "Real Estate," "Environment & Renewable Energy," "Aviation," "Logistics," "Mobility," and "Others," effective April 1, 2021.

"Healthcare," "Infrastructure & Investment," and other businesses were integrated as "Others" according to integration standard stipulated on ASBJ Statement No. 17, *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information.*

Description of new reportable segments is as follows:

Reportable segment	Description of services and business
Customer Business	Finance solutions for corporations
Account Solution	Financial services for companies, government agencies, and vendors
Vendor Solution	Sales finance provided through collaboration with vendors
LIFE	Development, operation, and leasing of logistics and commercial facilities Community development Food, agriculture and living essentials Non-life insurance
Real Estate	Real estate securitization finance Real estate revitalization investment Real estate asset management business Real estate leasing
Environment & Renewable Energy	Power generation by renewable energy Environment-related equipment leasing and finance
Aviation	Aircraft leasing Aircraft engine leasing
Logistics	Marine container leasing Railway freight car leasing Auto leasing
Mobility	Auto leasing and supplementary services
Others	Servicing Trust service Settlement service Medical equipment leasing and finance Investment and financing to social infrastructure, etc.

The segment information for the year ended March 31, 2021 has been presented using the reportable segments of Mitsubishi UFJ Lease.

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."

As disclosed in Note 2, "Summary of Significant Accounting Policies," the changes in accounting policy for the year ended March 31, 2022 have been retrospectively applied and the segment information for the year ended March 31, 2021 have been modified to reflect retrospective adjustments.

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

The following errors were identified subsequent to the issuance of the Financial Information 2022. The amounts, which were previously reported and restated, are as follows:

As previously reported

	Millions of yen						
	Reportable segment						
Year Ended March 31, 2022	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Increase in property and equipment and intangible assets	**22,906**	**551,283**	**9,585**	**97,425**	**27,647**	**102,140**	**148,896**

	Millions of yen				
	Reportable segment				
Year Ended March 31, 2022	Logistics	Mobility	Others	Adjustments (1)	Consolidated (2)
Increase in property and equipment and intangible assets	**93,928**	**155,473**	**8,531**	**240**	**1,218,059**

	Thousands of U.S. dollars						
	Reportable segment						
Year Ended March 31, 2022	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Increase in property and equipment and intangible assets	**187,761**	**4,518,719**	**78,566**	**798,566**	**226,616**	**837,214**	**1,220,466**

	Thousands of U.S. dollars				
	Reportable segment				
Year Ended March 31, 2022	Logistics	Mobility	Others	Adjustments (1)	Consolidated (2)
Increase in property and equipment and intangible assets	**769,905**	**1,274,374**	**69,933**	**1,971**	**9,984,095**

As restated

Year Ended March 31, 2022	Millions of yen Reportable segment Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Increase in property and equipment and intangible assets	**22,906**	**528,359**	**2,550**	**94,972**	**27,647**	**99,840**	**148,896**

Year Ended March 31, 2022	Millions of yen Reportable segment Logistics	Mobility	Others	Adjustments (1)	Consolidated (2)
Increase in property and equipment and intangible assets	**93,928**	**151,076**	**6,798**	**41,081**	**1,218,059**

Year Ended March 31, 2022	Thousands of U.S. dollars Reportable segment Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Increase in property and equipment and intangible assets	**187,761**	**4,330,815**	**20,907**	**778,459**	**226,616**	**818,364**	**1,220,466**

Year Ended March 31, 2022	Thousands of U.S. dollars Reportable segment Logistics	Mobility	Others	Adjustments (1)	Consolidated (2)
Increase in property and equipment and intangible assets	**769,905**	**1,238,335**	**55,725**	**336,737**	**9,984,095**

As restated

Year Ended March 31, 2022	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
	Millions of yen						
	Reportable segment						
Revenues:							
Revenue from external customers	¥ 571,200	¥ 437,615	¥ 146,165	¥ 103,682	¥ 105,927	¥47,746	¥ 156,526
Intersegment revenue or transfers	198	772		630	92	4	
Total	571,399	438,387	146,165	104,313	106,019	47,751	156,526
Segment profit (loss)	33,472	26,956	3,008	4,846	19,162	7,081	5,767
Segment assets (3)	2,002,128	2,353,483	424,629	312,745	974,937	315,486	1,365,126
Other items:							
Depreciation	44,328	114,675	2,594	7,058	8,503	15,826	80,848
Amortization of goodwill	663				500		2,621
Cost of funds and interest expense	14,254	24,095	1,151	1,155	6,860	3,831	29,715
Equity in earnings of affiliates	857	(1,083)		15	210	715	42
Other income	29,695						239
Gain on sales of investment securities	29,695						239
Gain from bargain purchase							
Other expenses	47	4					
Loss on sales of investment securities	47	4					
Loss on step acquisition							
Taxes	15,479	8,866	1,397	2,413	9,163	3,337	3,965
Investments in equity method affiliates	16,890	3,516		2,734	31,941	19,607	2,634
Increase in property and equipment and intangible assets	22,906	528,359	2,550	94,972	27,647	99,840	148,896

Year Ended March 31, 2022	Millions of yen Reportable segment Logistics	Mobility	Others	Adjustments (1)	Consolidated (2)
Revenues:					
Revenue from external customers	¥ 53,382	¥ 92,790	¥56,373	¥ (5,850)	¥ 1,765,559
Intersegment revenue or transfers		89	500	(2,288)	
Total	53,382	92,879	56,874	(8,139)	1,765,559
Segment profit (loss)	2,774	1,905	(3,424)	(2,148)	99,401
Segment assets (3)	1,063,226	174,807	355,578	986,721	10,328,872
Other items:					
Depreciation	26,299	26,729	1,524	(2,283)	326,105
Amortization of goodwill	198	33		2,117	6,135
Cost of funds and interest expense	14,047	1,297	2,881	(15,919)	83,372
Equity in earnings of affiliates	2,413	(91)	1,737		4,818
Other income				464	30,399
Gain on sales of investment securities				32	29,967
Gain from bargain purchase				431	431
Other expenses		44		290	388
Loss on sales of investment securities				61	114
Loss on step acquisition		44		229	273
Taxes	272	781	1,384	(1,164)	45,896
Investments in equity method affiliates	23,786		41,356		142,469
Increase in property and equipment and intangible assets	93,928	151,076	6,798	41,081	1,218,059

Year Ended March 31, 2021	Millions of yen								
	Reportable segment								
	Customer Business	Environment & Energy	Healthcare	Real Estate	Aviation	Logistics	Infrastructure & Investment	Adjustments (1)	Consolidated (2)
Revenues:									
Revenue from external customers	¥ 559,151	¥17,902	¥39,887	¥155,537	¥ 127,493	¥41,431	¥3,447	¥2,806	¥947,658
Intersegment revenue or transfers	386			176				(562)	
Total	559,537	17,902	39,887	155,713	127,493	41,431	3,447	2,244	947,658
Segment profit	25,503	3,734	712	28,037	2,807	1,878	304	(7,664)	55,314
Segment assets (3)	2,129,561	198,592	157,373	955,654	1,203,858	545,525	111,688	712,641	6,014,896
Other items:									
Depreciation	48,823	6,115	932	8,808	64,933	17,411	46	1,448	148,520
Amortization of goodwill	645			500	2,546	56		2,117	5,866
Cost of funds and interest expense	17,643	2,643	414	6,889	28,864	13,337	2,330	(5,546)	66,575
Equity in earnings of affiliates	684	590		(54)	159	1,822	59		3,261
Other income	13,496	1,395	15	3,544				6	18,457
Gain on sales of investment securities	9,952		15	56				6	10,029
Gain on sales of shares of subsidiaries and affiliates	431								431
Gain on step acquisition		1,395							1,395
Compensation income				3,488					3,488
Gain on sales of own-used assets	3,112								3,112
Other expenses	86				156				242
Loss on sales of investment securities	86				156				242
Taxes	9,543	873	375	12,551	4,484	192	246	(1,902)	26,364
Investments in equity method affiliates	15,044	11,292		22,108	2,484	21,967	43,181		116,078
Increase in property and equipment and intangible assets	31,806	22,597	4,132	19,180	102,278	56,853		2,951	239,799

Year Ended March 31, 2022	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
	Thousands of U.S. dollars						
	Reportable segment						
Revenues:							
Revenue from external customers	$4,681,969	$3,587,011	$1,198,076	$849,858	$868,255	$391,368	$1,283,003
Intersegment revenue or transfers	1,629	6,330		5,170	757	35	
Total	4,683,599	3,593,341	1,198,076	855,028	869,012	391,403	1,283,003
Segment profit (loss)	274,364	220,954	24,658	39,722	157,073	58,046	47,271
Segment assets (3)	16,410,885	19,290,845	3,480,573	2,563,490	7,991,294	2,585,957	11,189,558
Other items:							
Depreciation	363,348	939,964	21,267	57,853	69,698	129,721	662,690
Amortization of goodwill	5,440				4,102		21,491
Cost of funds and interest expense	116,838	197,508	9,435	9,473	56,232	31,407	243,572
Equity in earnings of affiliates	7,030	(8,877)		130	1,728	5,862	350
Other income	243,407						1,961
Gain on sales of investment securities	243,407						1,961
Gain from bargain purchase							
Other expenses	387	39		6			
Loss on sales of investment securities	387	39		6			
Loss on step acquisition							
Taxes	126,885	72,677	11,451	19,778	75,110	27,353	32,507
Investments in equity method affiliates	138,446	28,823		22,417	261,816	160,717	21,597
Increase in property and equipment and intangible assets	187,761	4,330,815	20,907	778,459	226,616	818,364	1,220,466

	Thousands of U.S. dollars				
	Reportable segment				
Year Ended March 31, 2022	Logistics	Mobility	Others	Adjustments (1)	Consolidated (2)
Revenues:					
Revenue from external customers	**$437,560**	**$760,576**	**$462,077**	**$(47,958)**	**$14,471,799**
Intersegment revenue or transfers		**732**	**4,105**	**(18,761)**	
Total	**437,560**	**761,309**	**466,182**	**(66,720)**	**14,471,799**
Segment profit (loss)	**22,743**	**15,615**	**(28,072)**	**(17,613)**	**814,764**
Segment assets (3)	**8,714,971**	**1,432,850**	**2,914,574**	**8,087,883**	**84,662,885**
Other items:					
Depreciation	**215,572**	**219,094**	**12,499**	**(18,714)**	**2,672,996**
Amortization of goodwill	**1,629**	**270**		**17,355**	**50,290**
Cost of funds and interest expense	**115,147**	**10,637**	**23,615**	**(130,488)**	**683,380**
Equity in earnings of affiliates	**19,781**	**(752)**	**14,243**		**39,497**
Other income				**3,804**	**249,174**
Gain on sales of investment securities				**266**	**245,635**
Gain from bargain purchase				**3,538**	**3,538**
Other expenses		**366**		**2,380**	**3,181**
Loss on sales of investment securities				**501**	**935**
Loss on step acquisition		**366**		**1,878**	**2,245**
Taxes	**2,232**	**6,407**	**11,345**	**(9,548)**	**376,200**
Investments in equity method affiliates	**194,971**		**338,990**		**1,167,780**
Increase in property and equipment and intangible assets	**769,905**	**1,238,335**	**55,725**	**336,737**	**9,984,095**

Notes:

(1) For the year ended March 31, 2022, "Adjustments" in revenues contain adjustments of ¥(7,571) million ($(62,064) thousand) due to purchase method accounting applied to the merger of Hitachi Capital. For the year ended March 31, 2021, "Adjustments" in revenues contain mainly revenues from system development contract, which are not attributed to each reportable segment.

"Adjustments" in segment profit (loss) contain mainly Company-wide expenses included in selling, general and administrative expenses, which are not attributed to each reportable segment. "Adjustments" in segment profit (loss) also contain adjustments of ¥2,877 million ($23,582 thousand) due to purchase method accounting applied to the merger of Hitachi Capital for the year ended March 31, 2022.

"Adjustments" in segment assets contain goodwill recognized when Diamond Lease Company Limited and UFJ Central Leasing Company Limited merged and became Mitsubishi UFJ Lease in 2007, investment securities held for Company-wide purpose which are not attributed to each reportable segment, and elimination of intersegment transactions amounting to ¥3,226 million ($26,444 thousand) and ¥34,426 million, as of March 31, 2022 and 2021, respectively. The total of such assets and the segment assets which attributed to each reportable segment, was ¥9,345,376 million ($76,601,447 thousand) and ¥5,336,681 million, as of March 31, 2022 and 2021, respectively. The remaining amount of "Adjustments" in segment assets is the difference between the total amount of segment assets, including corporate division and the total assets on the consolidated balance sheets, and mainly contains the assets other than the ones which are attributed to each reportable segment, such as cash and cash equivalents, own-used assets amounting to ¥983,495 million ($8,061,438 thousand) and ¥678,215 million, as of March 31, 2022 and 2021, respectively.

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

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

"Adjustments" in gain from bargain purchase represents the amount recognized as a result of the Business Integration for the year ended March 31, 2022.

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

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

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

4. Information about products and services

	Millions of yen				
	2022				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥1,456,228**	**¥93,792**	**¥63,057**	**¥152,481**	**¥1,765,559**

	Millions of yen				
	2021				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥780,314	¥67,906	¥32,817	¥66,620	¥947,658

	Thousands of U.S. dollars				
	2022				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$11,936,297**	**$ 768,792**	**$516,860**	**$1,249,849**	**$14,471,799**

5. Information about geographical areas

(1) Revenues

Millions of yen					
2022					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥1,289,633	**¥112,303**	**¥240,737**	**¥100,629**	**¥22,255**	**¥1,765,559**

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

Millions of yen					
2021					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥745,326	¥58,592	¥60,615	¥69,934	¥13,188	¥947,658

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

Thousands of U.S. dollars					
2022					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$10,570,767	**$920,518**	**$1,973,260**	**$824,831**	**$182,421**	**$14,471,799**

(2) Property and equipment

Millions of yen						
2022						
	North America		Europe/ Middle and Near East			
Japan	United States	Other		Asia/Oceania	Other	Total
¥940,029	**¥489,382**	**¥113,472**	**¥998,616**	**¥645,661**	**¥170,046**	**¥3,357,208**

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

Thousands of U.S. dollars						
2022						
	North America		Europe/ Middle and Near East			
Japan	United States	Other		Asia/Oceania	Other	Total
$7,705,159	**$4,011,329**	**$930,103**	**$8,185,381**	**$5,292,307**	**$1,393,819**	**$27,518,101**

6. Information about impairment loss for long-lived assets

	Millions of yen						
	2022						
	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Impairment loss................							**¥ 3,550**

	Millions of yen				
	2022				
	Logistics	Mobility	Others	Adjustments	Consolidated
Impairment loss................					**¥ 3,550**

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

	Thousands of U.S. dollars						
	2022						
	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Impairment loss................							**$29,105**

	Thousands of U.S. dollars				
	2022				
	Logistics	Mobility	Others	Adjustments	Consolidated
Impairment loss................					**$29,105**

Impairment loss is recorded in costs.

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

	Millions of yen						
	2022						
	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Amortization of goodwill...	**¥663**				**¥500**		**¥ 2,621**
Unamortized balance of goodwill..........................	**11,820**				**2,168**		**30,489**

	Millions of yen				
	2022			Adjustments (1)	Consolidated
	Logistics	Mobility	Others		
Amortization of goodwill...	**¥198**	**¥33**		**¥2,117**	**¥ 6,135**
Unamortized balance of goodwill..........................	**34,485**	**775**		**10,587**	**90,326**

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

	Thousands of U.S. dollars						
	2022						
	Customer Business	Account Solution	Vendor Solution	LIFE	Real Estate	Environment & Renewable Energy	Aviation
Amortization of goodwill...	**$5,440**				**$4,102**		**$21,491**
Unamortized balance of goodwill..........................	**96,886**				**17,775**		**249,917**

	Thousands of U.S. dollars				
	2022			Adjustments (1)	Consolidated
	Logistics	Mobility	Others		
Amortization of goodwill...	**$1,629**	**$270**		**$17,355**	**$50,290**
Unamortized balance of goodwill..........................	**282,666**	**6,356**		**86,779**	**740,382**

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

8. Information about gain from bargain purchase

Gain from bargain purchase of ¥431 million ($3,538 thousand) was recorded as other income (expenses) in the consolidated statement of income for the year ended March 31, 2022, as a result of the Business Integration. The gain from bargain purchase was not attributed to reportable segments.

No gain from bargain purchase was recorded for the year ended March 31, 2021.

29. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2022 and 2021, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2022	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥99,401**	**1,435,664**	**¥69.24**	**$0.56**
Effect of dilutive securities:				
Warrants		**3,736**		
Diluted EPS:				
Net income for computation	**¥99,401**	**1,439,400**	**¥69.06**	**$0.56**

	Millions of yen	Thousands of shares	Yen
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	¥55,314	891,207	¥62.07
Effect of dilutive securities:			
Warrants		3,334	
Diluted EPS:			
Net income for computation	¥55,314	894,541	¥61.84

As disclosed in Note 2, "Summary of Significant Accounting Policies," the changes in accounting policy for the year ended March 31, 2022 have been retrospectively applied and the amount for the year ended March 31, 2021 have been modified to reflect retrospective adjustments.

30. Subsequent Events

On May 24, 2022, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥15.00 ($0.12) per share	**¥21,542**	**$176,576**

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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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<table>
<tr><th colspan="2">Appropriateness of allocation of acquisition costs related to the business integration with Hitachi Capital</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As described in Note 3. Business Combination to the consolidated financial statements, effective April 1, 2021, Mitsubishi UFJ Lease & Finance Company Limited and Hitachi Capital Corporation ("Hitachi Capital") integrated their businesses and changed the company name to Mitsubishi HC Capital Inc. The Group recorded assets acquired and liabilities assumed of 3,715,725 million yen and 3,297,990 million yen, respectively, and recorded gain from bargain purchase of 431 million yen in the consolidated financial statements for the year ended March 31, 2022. These assets acquired and liabilities assumed were equivalent to 62% and 63%, respectively, of the Group's total assets of 6,014,896 million yen and total liabilities of 5,196,990 million yen as of March 31, 2021. Therefore those are highly significant to the Group after the merger.

The recorded amounts of assets acquired and liabilities assumed are the result of allocating the acquisition cost based on the fair value of the identifiable assets and liabilities at the date of the business combination. As described in Note 2.t. Summary of Significant Accounting Policies—Significant Accounting Estimates to the consolidated financial statements, the Group estimates the fair value of lease receivables and investments in leases, receivables—loans, leased assets, other operating assets, other assets, bonds, and long-term loans from banks and other financial institutions using valuation models such as discounted cash flow methodologies and replacement cost methodologies. Hitachi Capital and its subsidiaries engaged in a variety of businesses, and the determination of valuation models and the selection of indices such as discount rates to be used in fair value valuation according to the nature of the business require a high degree of specialized knowledge.

The identifiable assets and liabilities are significant in terms of amount and the calculation of their fair value involves complex accounting estimates that require a high degree of specialized knowledge. Therefore, we determined the appropriateness of allocation of acquisition costs related to the business integration with Hitachi Capital as a key audit matter.</td><td>Our audit procedures related to the appropriateness of allocation of acquisition costs related to the business integration with Hitachi Capital included the following, among others:

➢ Evaluated the design and operating effectiveness of controls over the estimation of fair value of the identifiable assets and liabilities, especially the use of the results of valuations performed by third-party valuation specialists.

➢ Inquired of the officials in the Business Management Division to understand the business of Hitachi Capital and its subsidiaries.

➢ Assessed the competencies and objectivity of the third-party valuation specialists used by management.

➢ Involved our valuation specialists to assist us to perform the following procedures to investigate the appropriateness of the methodology applied by the Group in estimating the fair value of identifiable assets and liabilities and the results of the fair value assessment:

✓ Evaluated the reasonableness of the valuation models applied in the fair value valuations of each asset and liability.

✓ Compared the indices such as discount rates used in fair value valuations with available external data.

✓ Performed sensitivity analysis on the fair value results of each asset and liability.</td></tr>
</table>

Impairment judgment on the aircraft held as leased assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 2.t. Summary of Significant Accounting Policies—Significant Accounting Estimates to the consolidated financial statements, the aircraft held by JSA International Holdings, L. P. ("JSA") located in the United States ("US") of 926,454 million yen were recorded as leased assets in the consolidated balance sheet as of March 31, 2022. The Group performs an impairment evaluation for the aircraft in accordance with accounting principles generally accepted in the US in the following: (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 amounts are 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 2,673 million yen of the impairment loss which was included in costs in the consolidated statement of income for the year ended March 31, 2022. 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 additional lease payment deferral requests in some lessees. 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 the impairment judgment on the aircraft held by JSA as leased assets as a key audit matter.	Our audit procedures related to the impairment judgment on the aircraft held by JSA as leased assets included the following, among others: ➢ Evaluated the design and operating effectiveness of controls over the estimation of undiscounted future cash flows used to evaluate whether impairment 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 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. ➢ 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.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

July 15, 2022

MITSUBISHI HC CAPITAL Inc.