FINANCIAL INFORMATION 2023

For the fiscal year ended March 31, 2023

MITSUBISHI HC CAPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Results

The Mitsubishi HC Capital Group's business results for the fiscal year ended March 31, 2023 were as follows.

On the sales front, the volume of new transactions increased by ¥132.7 billion or 5.3% year on year to ¥2,640.6 billion.

Revenues were up by ¥130.6 billion or 7.4% to ¥1,896.2 billion.

Meanwhile, gross profit rose by ¥22.6 billion or 6.8% to ¥357.3 billion and operating income by ¥24.6 billion or 21.6% to ¥138.7 billion.

The Group recorded record-high net income attributable to owners of the parent for the fiscal year ended March 31, 2023. The ¥16.8 billion (16.9%) increase over the previous fiscal year to ¥116.2 billion was driven by the profit contribution of CAI International, Inc., a marine container leasing company in the U.S.A. that became our wholly owned subsidiary in November 2021, reduced credit costs, and growth in the Americas business within the Global Business segment. Net income attributable to owners of the parent for the fiscal year ended March 31, 2023 exceeded the financial forecast of ¥110.0 billion by ¥6.2 billion.

In conjunction with outperforming the earnings forecast, the annual dividend per share has been set to ¥33, up ¥2 from the forecast dividend of ¥31, bringing the payout ratio to 40.8%. This is a ¥5 increase over the previous fiscal year's dividend of ¥28.

Along with the organizational changes effective April 1, 2022, the Group changed its reportable segments to the seven segments below. The figures for the fiscal year ended March 31, 2022 have been updated to reflect this change.

Operating results by reportable segment are presented below.

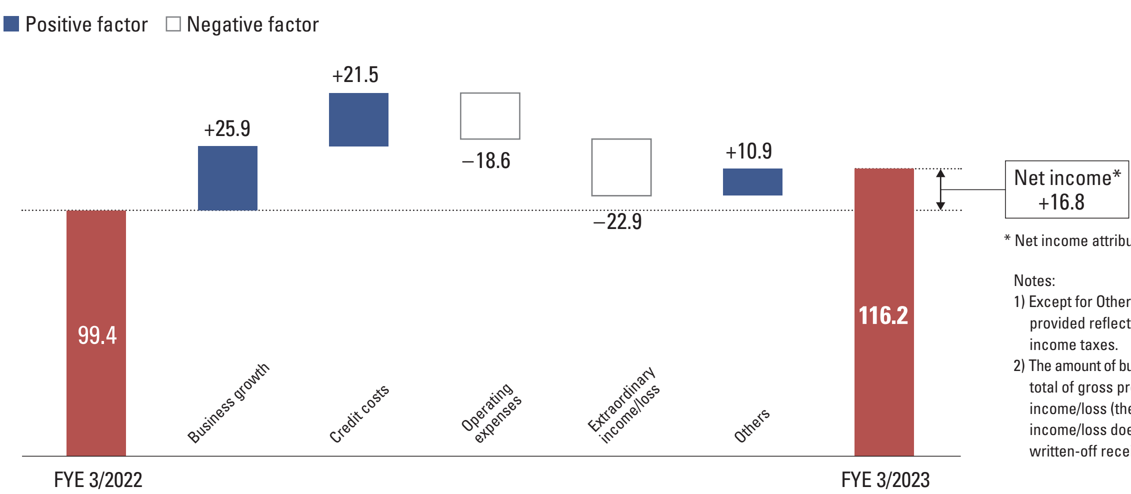
Customer Solutions

Segment profit increased by ¥5.4 billion or 16.7% from the previous fiscal year to ¥38.1 billion, mainly thanks to the recording of large gains on sales related to real estate leasing and a decrease in credit costs.

Global Business

Segment profit decreased by ¥11.8 billion, or 29.0% year on year, to ¥29.0 billion due to the posting of a loss on revaluation of securities associated with a decline in market value of certain strategic shareholdings

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).

and an absence of large gains on sales of strategic shareholdings recorded in the fiscal year ended March 31, 2022 despite factors contributing to profit increase such as the business growth of the subsidiaries mainly in the Americas, a decrease in credit costs, and gains on revaluation of securities recorded at a European subsidiary.

Environment, Energy & Infrastructure

Segment profit was up by ¥9.3 billion or 411.6% compared to the previous fiscal year to ¥11.6 billion, mainly thanks to an increase in profits from overseas renewable energy-related equity-method investments, recording of gains on sales of investments in certain projects in the infrastructure business, and the absence of credit costs for certain customers in the infrastructure projects recorded in the previous fiscal year.

Aviation

Segment profit rose by ¥0.5 billion or 9.3% to ¥6.2 billion as the business showed signs of recovery, including an increase in leasing revenue and gains on sales of owned assets and a decrease in credit costs. This was despite the absence of gains on sales of certain receivables from bankrupt debtors recorded in the previous fiscal year and an increase in exchange revaluation losses related to foreign currency-denominated borrowings due to yen depreciation in the Japanese Operating Lease with Call Option (JOLCO), as well as an increase in impairment losses.

Logistics

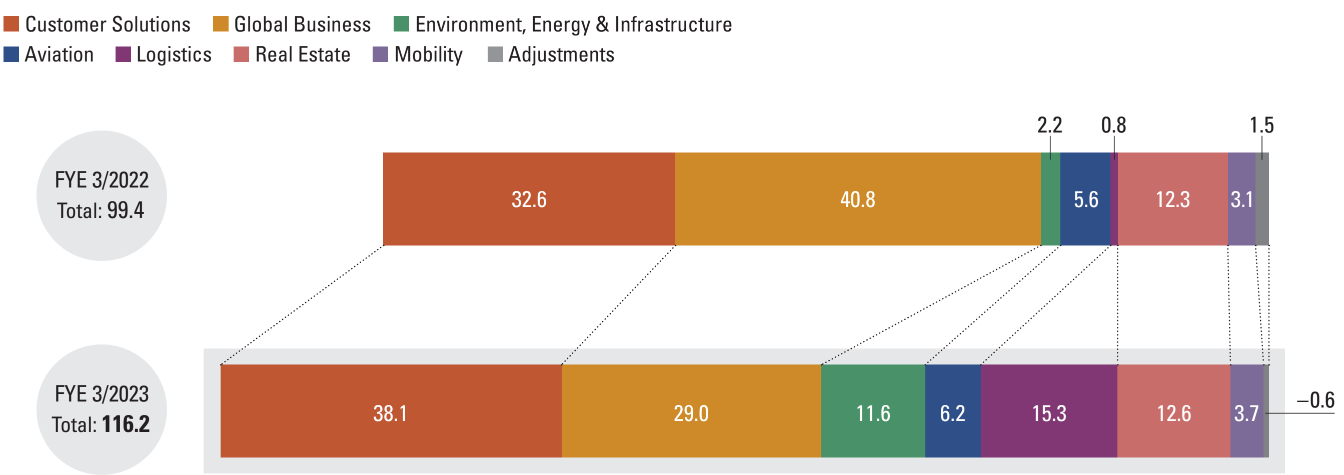
Segment profit climbed to ¥15.3 billion, up ¥14.5 billion or 1,787.4% from the previous fiscal year, mainly thanks to the full-year profit contribution from CAI International, Inc., a marine container leasing company in the U.S.A. that became our wholly owned subsidiary in November 2021, and the steady performance of Beacon Intermodal Leasing, LLC, which operates in the same space.

These companies, which both operated a marine container leasing business, were merged on January 1, 2023.

Real Estate

Segment profit was up by ¥0.2 billion or 2.0% from the previous fiscal year to ¥12.6 billion, mainly thanks to a decrease in tax expenses associated with the share transfer of our wholly owned subsidiary Diamond Asset Finance Company Limited despite the recording

Segment Profit (¥ Billion)



MANAGEMENT'S DISCUSSION AND ANALYSIS

of credit costs for a certain project in the U.S.A. and other factors.

Mobility

Segment profit came to ¥3.7 billion, up ¥0.6 billion or 21.2% from the previous fiscal year. This was mainly thanks to an increase in gains on sales of vehicles for which the leasing term has matured against the backdrop of high demand for used cars in Japan.

Financial Position

As of March 31, 2023, total assets were up by ¥397.3 billion or 3.8% from the previous fiscal year-end to ¥10,726.1 billion, while total equity rose by ¥217.5 billion or 16.3% to ¥1,551.0 billion. The equity ratio increased 1.6 points to 14.3%.

Interest-bearing debt (excluding lease obligations) was up ¥170.0 billion or 2.1% to ¥8,236.1 billion, and total liabilities were up ¥179.7 billion to ¥9,175.1 billion. Out of interest-bearing debt, long-term liabilities such as long-term loans decreased by ¥95.9 billion to ¥5,194.0 billion, while short-term liabilities such as short-term loans and commercial paper increased by ¥266.0 billion to ¥3,042.0 billion.

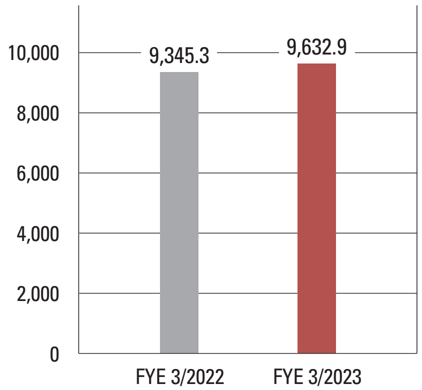
Operating activities provided net cash of ¥46.7 billion compared to ¥195.8 billion in the previous fiscal year. Inflows of ¥153.1 billion in income before income taxes with an adjustment including ¥515.8 billion for depreciation and amortization and loss on disposals and sales of leased assets were set against outflows including ¥496.1 billion for purchases of leased assets and other operating assets, ¥61.3 billion for an increase in receivables, and ¥22.6 billion for a decrease in trade payables.

Investing activities used net cash of ¥127.3 billion compared to ¥107.8 billion in the previous fiscal year. Inflows including ¥139.0 billion in proceeds from withdrawal of time deposits were set against outflows including ¥252.4 billion in payments into time deposits.

Financing activities used net cash of ¥8.9 billion compared to ¥192.1 billion in the previous fiscal year. This included net outflows of ¥120.4 billion for direct funding, net inflows of ¥154.6 billion for bank loans and other forms of indirect funding, and ¥43.0 billion in cash dividends paid.

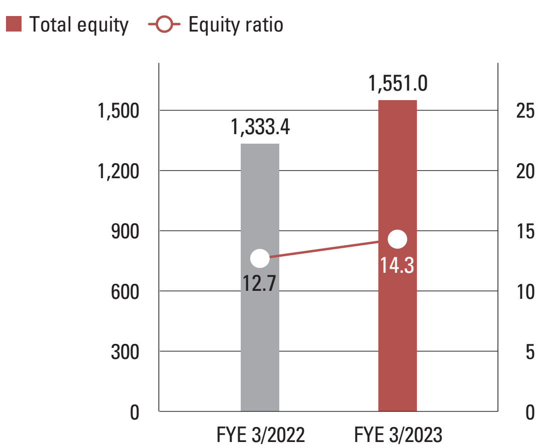
As a result, cash and cash equivalents as of March 31, 2023 totaled ¥460.4 billion, a decrease of ¥59.5 billion or 11.4% from the previous fiscal year-end. The decrease came from ¥46.7 billion provided by

Segment Assets* (¥ Billion)



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

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



operating activities, set against ¥127.3 billion used in investing activities and ¥8.9 billion used in financing activities.

Establishment of Medium-term Management Plan

The Group formulated a Medium-term Management Plan covering the three-year period from the fiscal year ending March 31, 2024 (“2025 MTMP”), which was announced in May 2023. We established Our 10-year Vision, “Together we innovate, challenge and explore the frontiers of the future.” To achieve this vision, we will proceed with the evolution and layering of business models by developing services and promoting business investment, utilizing tangible and intangible assets, such as data and other elements, to their fullest potential.

For the promotion of the above, we will aim for sustainable growth by solving environmental, social, and economic issues. At the same time, we will aim to enhance our medium- to long-term corporate value by achieving an optimal balance sheet based on well-balanced growth potential, return on capital, and financial soundness.

The 2025 MTMP is positioned as the “hop” plan of our three Medium-term Management Plans (“hop,” “step,” and “jump”) toward Our 10-year Vision. We will address the management plan with “sowing seeds” and “gaining a solid foothold” as keywords leading to a leap to the “step” and “jump” plans.

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

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

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

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

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

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

BUSINESS AND RELATED RISKS

Of the business and related risks of the Mitsubishi HC Capital Group, the main items with potential for important impact on investors' decisions are managed comprehensively in the framework set out below under 1. Integrated Risk Management. 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, 2023.

01 Integrated Risk Management

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

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

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

02 Major Risks Managed within Framework of Integrated Risk Management

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

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

(1) Credit Risk

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

Main Efforts to Address Risk

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

(2) Asset Risk

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

a. Global Assets

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

BUSINESS AND RELATED RISKS

Main Efforts to Address Risk

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

b. Real Estate

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

Main Efforts to Address Risk

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

(3) Investment Risk

The Mitsubishi HC Capital Group is engaged in investment in and financing of projects such as solar power 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 risk. Additionally, the Group continues to check the status of investment management and industry trends on an ongoing basis even after entering into business relations and has a system in place to maximize revenue. The Group also regularly measures the risk of fluctuations in the value of investments in its portfolio to monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

(4) Market Risk

a. Interest Rate Fluctuation Risk

The fees for leases and installment sales conducted by the Mitsubishi HC Capital Group are set based on the purchase price for the transacted property and the market interest rates at the time of contract. Most of these basically do not fluctuate during the contract term. 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.

b. Exchange Rate Fluctuation Risk

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

Main Efforts to Address Risk

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

(5) Liquidity Risk

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

Main Efforts to Address Risk

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

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

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

(6) Operational Risk

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

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

Main Efforts to Address Risk

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

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

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

b. System Risk

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

Main Efforts to Address Risk

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

c. Cybersecurity Risk and Information Security Risk

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

Main Efforts to Address Risk

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

BUSINESS AND RELATED RISKS

d. 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.

e. System Change Risk

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

Main Efforts to Address Risk

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

f. Administrative Risk

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

Main Efforts to Address Risk

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

03 Other Major Risks

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

(1) Risk Related to 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.

We have taken steps in response to the COVID-19 pandemic being downgraded to a "Category V" on May 8, 2023. Based on our recognition that we are now in the post-COVID-19 phase, while remaining cautious about the possibility of a resurgence in infections, we will continue to utilize the remote IT communication tools whose usage became widespread during the pandemic for both internal and external communication. We will also further enhance and expand face-to-face communication and proactively undertake new initiatives.

Impact of the COVID-19 Pandemic

Although the COVID-19 pandemic, which began in 2020, is subsiding, the potential for the spread of new variant strains has not completely disappeared.

Should a global resurgence of a new variant strain of COVID-19 occur, it could impact the Group's business in several ways, including curtailment, reduction, or postponement of capital investment by customers due to the stagnation of global economic activities. As a result, the Group's operating assets may not increase as planned or may 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.

Furthermore, in the event of a financial crisis arising from resurgence of the COVID-19 pandemic, it could become impossible to procure funds as planned. However, the Group has taken measures to ensure reliable on-hand liquidity. It has also worked on reviewing the workflow, utilizing IT tools, and enhancing information security while taking sufficient steps to prevent the spread of infection. As such, it has already expanded its preparedness to enable smooth remote business operations.

(3) Climate Change Risk

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

Main Efforts to Address Risk

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

(4) Human Rights Violation Risk

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

Main Efforts to Address Risk

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

(5) Risk Associated with Expansion of Business Domains

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

(6) Intensifying Competition

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

(7) 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.

(8) 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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Assets			
Current assets:			
Cash and cash equivalents (Notes 11 and 26)	**¥460,486**	¥520,083	**$3,462,305**
Time deposits other than cash equivalents (Notes 11 and 26)	**126,952**	12,990	**954,531**
Bank overdrafts (Note 26)	**2,249**	7,868	**16,912**
Marketable securities (Notes 4 and 26)	**3,213**	2,019	**24,162**
Receivables:			
Lease (Note 18)	**77,647**	80,382	**583,816**
Installment sales (Notes 11 and 26)	**231,280**	255,143	**1,738,949**
Loans (Notes 11, 12, and 26)	**1,911,212**	1,845,975	**14,370,015**
Lease receivables and investments in leases (Notes 7, 11, 23, and 26)	**3,264,169**	3,265,267	**24,542,631**
Inventories (Notes 5, 11, and 12)	**46,064**	48,242	**346,350**
Prepaid expenses and other (Notes 11 and 18)	**160,487**	156,006	**1,206,676**
Allowance for doubtful receivables (Notes 2.t. and 26)	**(22,094)**	(22,657)	**(166,122)**
Total current assets	**6,261,670**	6,171,321	**47,080,228**
Property and equipment:			
Leased assets — at cost	**4,388,259**	3,918,302	**32,994,434**
Accumulated depreciation	**(1,055,425)**	(832,153)	**(7,935,530)**
Net leased assets	**3,332,834**	3,086,149	**25,058,903**
Advances for purchases of leased assets	**58,969**	34,622	**443,380**
Total leased assets (Notes 6, 8, 11, and 12)	**3,391,803**	3,120,771	**25,502,284**
Other operating assets — at cost	**265,280**	253,466	**1,994,589**
Accumulated depreciation	**(45,655)**	(30,811)	**(343,272)**
Net other operating assets (Note 11)	**219,625**	222,654	**1,651,317**
Own-used assets — at cost	**31,812**	23,757	**239,190**
Accumulated depreciation	**(14,334)**	(9,975)	**(107,775)**
Net own-used assets	**17,478**	13,782	**131,414**
Total property and equipment	**3,628,907**	3,357,208	**27,285,016**
Investments and other assets:			
Investment securities (Notes 4, 11, and 26):			
Unconsolidated subsidiaries and associated companies	**192,861**	168,891	**1,450,083**
Other securities	**207,252**	207,754	**1,558,288**
Goodwill (Notes 2.t. and 9)	**91,497**	90,326	**687,951**
Long-term receivables (Note 26)	**99,912**	108,188	**751,221**
Asset for retirement benefits (Note 14)	**3,389**	1,593	**25,482**
Deferred tax assets (Note 24)	**33,224**	38,137	**249,811**
Other (Note 11)	**271,683**	257,449	**2,042,734**
Allowance for doubtful receivables (Notes 2.t. and 26)	**(68,806)**	(76,791)	**(517,339)**
Total investments and other assets	**831,015**	795,550	**6,248,233**
Deferred assets:			
Bond issue costs	**4,603**	4,791	**34,614**
Total deferred assets	**4,603**	4,791	**34,614**
Total assets	**¥10,726,196**	¥10,328,872	**$80,648,092**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 13 and 23)	**¥633,099**	¥591,431	**$4,760,145**
Commercial paper (Note 13)	**559,485**	682,593	**4,206,661**
Current maturities of bonds (Notes 11, 13, and 26)	**642,883**	443,647	**4,833,709**
Current maturities of long-term loans (Notes 11, 12, 13, 23, and 26)	**959,951**	810,475	**7,217,683**
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 11, 13, and 26)	**246,640**	247,900	**1,854,438**
Current maturities of lease obligations (Note 13)	**19,794**	21,676	**148,830**
Notes and accounts payable — trade	**160,678**	184,042	**1,208,110**
Income taxes payable	**9,381**	24,818	**70,534**
Deferred profit on installment sales (Note 26)	**9,648**	11,110	**72,547**
Other (Notes 13 and 18)	**270,789**	217,646	**2,036,010**
Total current liabilities	**3,512,353**	3,235,343	**26,408,670**
Long-term liabilities:			
Bonds, less current maturities (Notes 11, 12, 13, and 26)	**1,582,848**	1,820,244	**11,901,115**
Long-term loans from banks and other financial institutions, less current maturities (Notes 11, 12, 13, 23, and 26)	**3,253,535**	3,113,196	**24,462,669**
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 11, 13, and 26)	**357,662**	356,592	**2,689,188**
Lease obligations, less current maturities (Note 13)	**43,089**	53,331	**323,981**
Liability for retirement benefits (Note 14)	**6,573**	8,992	**49,427**
Asset retirement obligations	**40,635**	40,431	**305,532**
Reserve for insurance policy liabilities	**12,055**	11,148	**90,646**
Deferred tax liabilities (Note 24)	**143,810**	108,580	**1,081,280**
Other (Notes 11 and 13)	**222,602**	247,542	**1,673,700**
Total long-term liabilities	**5,662,813**	5,760,061	**42,577,543**
Commitments and contingent liabilities (Notes 15 and 27)			
Equity (Notes 16 and 31)**:**			
Common stock — authorized, 4,800,000,000 shares in 2023 and 2022; issued, 1,466,912,244 shares in 2023 and 2022	**33,196**	33,196	**249,594**
Capital surplus	**547,344**	548,586	**4,115,374**
Stock acquisition rights (Note 17)	**2,138**	1,861	**16,075**
Retained earnings	**710,989**	638,043	**5,345,789**
Treasury stock — at cost, 30,718,231 shares in 2023 and 31,056,328 shares in 2022	**(19,158)**	(19,369)	**(144,047)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**14,817**	14,953	**111,413**
Deferred gain on derivatives under hedge accounting	**53,051**	1,460	**398,884**
Foreign currency translation adjustments	**186,545**	92,776	**1,402,599**
Defined retirement benefit plans	**1,985**	123	**14,927**
Total	**1,530,911**	1,311,631	**11,510,611**
Noncontrolling interests	**20,118**	21,835	**151,267**
Total equity	**1,551,029**	1,333,467	**11,661,878**
Total liabilities and equity	**¥10,726,196**	¥10,328,872	**$80,648,092**

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Revenues (Notes 18, 23, and 29)	¥1,896,231	¥1,765,559	$14,257,381
Costs (Notes 2.t. and 23)	1,538,904	1,430,898	11,570,708
Gross profit	357,327	334,661	2,686,673
Selling, general, and administrative expenses (Note 19)	218,600	220,569	1,643,612
Operating income	138,727	114,092	1,043,060
Other income (expenses):			
Dividend income	1,907	2,447	14,344
Interest expense ─ net of interest income of ¥2,467 million ($18,555 thousand) in 2023 and ¥540 million in 2022 (Note 23)	(5,278)	(5,338)	(39,685)
Impairment loss (Note 10)	(479)		(3,604)
Gain on sales of investment securities (Note 4)	2,996	29,967	22,526
Gain on revaluation of investment securities (Note 20)	7,194		54,095
Loss on sales of shares of subsidiaries and affiliates (Notes 3.a. and 22)	(1,006)		(7,566)
Gain (loss) on step acquisition (Notes 3.c. and 21)	1,159	(273)	8,720
Gain from bargain purchase (Note 3.c.)		431	
Other ─ net	7,942	5,923	59,717
Other income — net	14,436	33,158	108,548
Income before income taxes	153,164	147,250	1,151,609
Income taxes (Note 24)**:**			
Current	24,941	38,807	187,528
Deferred	10,510	7,088	79,024
Total income taxes	35,451	45,896	266,552
Net income	117,712	101,354	885,056
Net income attributable to noncontrolling interests	1,471	1,953	11,062
Net income attributable to owners of the parent	¥116,241	¥99,401	$873,994

	Yen		U.S. dollars
	2023	2022	2023
Amounts per share of common stock (Note 30)**:**			
Basic net income	¥80.95	¥69.24	$0.60
Diluted net income	80.71	69.06	0.60
Cash dividends applicable to the year	33.00	28.00	0.24

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	¥117,712	¥101,354	$885,056
Other comprehensive income (Note 28)**:**			
Net unrealized loss on available-for-sale securities	(463)	(15,578)	(3,487)
Deferred gain on derivatives under hedge accounting	39,631	15,001	297,984
Foreign currency translation adjustments	93,891	69,358	705,949
Defined retirement benefit plans	1,854	1,061	13,944
Share of other comprehensive income in associates	12,510	3,389	94,062
Total other comprehensive income	147,424	73,232	1,108,452
Comprehensive income	¥265,136	¥174,586	$1,993,509
Total comprehensive income attributable to:			
Owners of the parent	¥262,934	¥171,878	$1,976,951
Noncontrolling interests	2,202	2,708	16,558

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Thousands				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, APRIL 1, 2021 (as restated) (Note 2.r.)	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)	571,078		381,480		
Net change in the year				308	
BALANCE, MARCH 31, 2022 (APRIL 1, 2022, as previously reported)	**1,466,912**	**33,196**	**548,586**	**1,861**	**638,043**
Cumulative effect of accounting change					
BALANCE, APRIL 1, 2022 (as restated)	**1,466,912**	**33,196**	**548,586**	**1,861**	**638,043**
Net income attributable to owners of the parent					**116,241**
Cash dividends					**(43,087)**
Purchase of treasury stock (689 shares)					
Disposal of treasury stock (338,589 shares)			**(49)**		
Change in ownership interest due to merger between consolidated and unconsolidated subsidiaries					**(206)**
Change in ownership of the parent due to transaction with noncontrolling shareholders			**(1,191)**		
Net change in the year				**276**	
BALANCE, MARCH 31, 2023	**1,466,912**	**¥33,196**	**¥547,344**	**¥2,138**	**¥710,989**

	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, MARCH 31, 2022 (APRIL 1, 2022, as previously reported)	**$249,594**	**$4,124,710**	**$13,998**	**$4,797,316**
Cumulative effect of accounting change				
BALANCE, APRIL 1, 2022 (as restated)	**249,594**	**4,124,710**	**13,998**	**4,797,316**
Net income attributable to owners of the parent				**873,994**
Cash dividends				**(323,966)**
Purchase of treasury stock (689 shares)				
Disposal of treasury stock (338,589 shares)		**(374)**		
Change in ownership interest due to merger between consolidated and unconsolidated subsidiaries				**(1,553)**
Change in ownership of the parent due to transaction with noncontrolling shareholders		**(8,960)**		
Net change in the year			**2,076**	
BALANCE, MARCH 31, 2023	**$249,594**	**$4,115,374**	**$16,075**	**$5,345,789**

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
	¥(1,528)	¥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**
		394				**394**		**394**
	(19,369)	**15,347**	**1,460**	**92,776**	**123**	**1,312,025**	**21,835**	**1,333,861**
						116,241		**116,241**
						(43,087)		**(43,087)**
	211					**161**		**161**
						(206)		**(206)**
						(1,191)		**(1,191)**
		(529)	**51,591**	**93,769**	**1,861**	**146,969**	**(1,717)**	**145,252**
	¥(19,158)	**¥14,817**	**¥53,051**	**¥186,545**	**¥1,985**	**¥1,530,911**	**¥20,118**	**¥1,551,029**

	Thousands of U.S. dollars (Note 1)							
		Accumulated other comprehensive income						
	Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
	($145,632)	**$112,430**	**$10,978**	**$697,566**	**$928**	**$9,861,890**	**$164,178**	**$10,026,068**
		2,965				**2,965**		**2,965**
	(145,632)	**115,395**	**10,978**	**697,566**	**928**	**9,864,855**	**164,178**	**10,029,033**
						873,994		**873,994**
						(323,966)		**(323,966)**
	(3)					**(3)**		**(3)**
	1,587					**1,213**		**1,213**
						(1,553)		**(1,553)**
						(8,960)		**(8,960)**
		(3,982)	**387,906**	**705,033**	**13,999**	**1,105,033**	**(12,910)**	**1,092,122**
	($144,047)	**$111,413**	**$398,884**	**$1,402,599**	**$14,927**	**$11,510,611**	**$151,267**	**$11,661,878**

Consolidated Statements of Cash Flows

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Operating activities:			
Income before income taxes	**¥153,164**	¥147,250	**$1,151,609**
Adjustment for:			
Income taxes — paid	**(53,800)**	(36,505)	**(404,512)**
Depreciation and amortization	**350,108**	328,690	**2,632,392**
(Reversal) provision of allowance for doubtful receivables	**(13,265)**	19,479	**(99,740)**
Gain from bargain purchase		(431)	
Loss on disposals and sales of leased assets	**165,768**	148,205	**1,246,376**
Loss on sales of shares of subsidiaries and affiliates	**1,006**		**7,566**
Gain on revaluation of investment securities	**(7,194)**		**(54,095)**
Gain on sales of investment securities	**(2,996)**	(29,967)	**(22,526)**
(Gain) loss on step acquisition	**(1,159)**	273	**(8,720)**
Changes in assets and liabilities:			
Increase in receivables	**(61,325)**	(16,345)	**(461,095)**
Decrease (increase) in lease receivables and investments in leases	**23,458**	(29,406)	**176,376**
Decrease in operating securities and investments in private equity securities	**14,385**	7,242	**108,159**
(Decrease) increase in trade payables	**(22,646)**	3,885	**(170,273)**
Increase (decrease) in interest payable	**4,185**	(958)	**31,470**
Purchases of leased assets	**(479,501)**	(397,205)	**(3,605,273)**
Purchases of other operating assets	**(16,629)**	(7,770)	**(125,036)**
Other — net	**(6,803)**	59,411	**(51,155)**
Total adjustments	**(106,411)**	48,594	**(800,087)**
Net cash provided by operating activities	**46,752**	195,845	**351,521**
Investing activities:			
Purchases of own-used assets	**(8,793)**	(9,623)	**(66,115)**
Proceeds from sales of own-used assets	**738**	553	**5,552**
Purchases of investment securities	**(9,981)**	(13,663)	**(75,051)**
Proceeds from sales and redemption of investment securities	**20,302**	36,065	**152,650**
Payments for sales of consolidated subsidiaries	**(14,157)**		**(106,447)**
Proceeds from sales of consolidated subsidiaries	**2,816**	2,271	**21,179**
Payments for acquisition of newly consolidated subsidiaries	**(4,677)**	(124,592)	**(35,171)**
Payments into time deposits	**(252,427)**	(5,913)	**(1,897,954)**
Proceeds from withdrawal of time deposits	**139,045**	6,976	**1,045,451**
Other — net	**(186)**	45	**(1,404)**
Net cash used in investing activities	**(127,322)**	(107,879)	**(957,309)**
Financing activities:			
Net increase in short-term loans	**80,025**	49,904	**601,694**
Net (decrease) increase in commercial paper	**(130,161)**	30,707	**(978,660)**
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	**519,089**	359,310	**3,902,929**
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	**(407,007)**	(423,974)	**(3,060,203)**
Proceeds from long-term loans	**1,065,363**	562,540	**8,010,252**
Repayments of long-term loans	**(990,689)**	(685,685)	**(7,448,793)**
Proceeds from issuance of bonds	**361,330**	498,011	**2,716,769**
Redemption of bonds	**(463,710)**	(532,561)	**(3,486,548)**
Cash dividends paid	**(43,087)**	(29,693)	**(323,966)**
Cash dividends paid to noncontrolling shareholders	**(2,552)**	(3,140)	**(19,193)**
Proceeds from share issuance to noncontrolling shareholders	**7,282**		**54,753**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(3,553)**	(12,346)	**(26,717)**
Other — net	**(1,276)**	(5,229)	**(9,597)**
Net cash used in financing activities	**(8,948)**	(192,157)	**(67,282)**
Foreign currency translation adjustments on cash and cash equivalents	**29,816**	21,066	**224,185**
Net decrease in cash and cash equivalents	**(59,701)**	(83,124)	**(448,884)**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	**104**	99	**785**
Increase in cash and cash equivalents resulting from merger		316,895	
Cash and cash equivalents, beginning of year	**520,083**	286,213	**3,910,404**
Cash and cash equivalents, end of year	**¥460,486**	¥520,083	**$3,462,305**

See notes to consolidated financial statements.

Additional information

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

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

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2023	2023
Current assets	¥198,411	$1,491,813
Fixed assets	8,709	65,482
Current liabilities	(70,312)	(528,664)
Long-term liabilities	(129,403)	(972,955)
Loss on sales of shares of subsidiaries and affiliates	(1,006)	(7,566)
Transfer amount	6,400	48,120
Cash and cash equivalents	(20,557)	(154,568)
Net cash paid for transfer of shares of Diamond Asset Finance	¥(14,157)	$(106,448)

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

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

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2023	2023
Current assets (*)	¥47,235	$355,153
Fixed assets	53,758	404,195
Total assets	¥100,993	$759,349
Current liabilities	¥86,062	$647,085
Long-term liabilities	410	3,085
Total liabilities	¥86,472	$650,170

(*) Cash and cash equivalents of ¥112 million ($844 thousand) is included. The amount of difference from paid-in capital from noncontrolling shareholders of ¥7,394 million ($55,598 thousand) is ¥7,282 million ($54,753 thousand), which was recorded as proceeds from share issuance to noncontrolling shareholders in consolidated statement of cash flows.

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

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
	2022
Current assets	¥127,629
Fixed assets	303,794
Deferred assets	6
Goodwill	33,613
Current liabilities	(38,173)
Long-term liabilities	(302,356)
Foreign currency translation adjustment	(323)
Acquisition cost	124,190
Cash and cash equivalents	(5,281)
Net cash paid for acquisition of CAI	¥118,909

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

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
	2022
Current assets (*)	¥2,853,966
Fixed assets	860,780
Deferred assets	978
Total assets	¥3,715,725
Current liabilities	¥1,376,757
Long-term liabilities	1,921,232
Total liabilities	¥3,297,990

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

Notes to Consolidated Financial Statements

Mitsubishi HC Capital Inc. and Consolidated Subsidiaries

Years ended March 31, 2023 and 2022

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi HC Capital Inc. (the "Company") and its consolidated subsidiaries (collectively, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of 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 2022 consolidated financial statements to conform to the classifications used in 2023.

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 ¥133 to USD1, the approximate rate of exchange at March 31, 2023.

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

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

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 254 (266 in 2022) 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 2022) unconsolidated subsidiary and 70 (73 in 2022) 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 54 such collective investment vehicles in 2023 (60 in 2022).

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, 2023.

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.

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

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

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

e. Revenue Recognition

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

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

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

The Companies follow the industry practice of including receivables-installment sales due after one year in current assets. Receivables due after one year amounted to ¥151,286 million ($1,137,495 thousand) in 2023 and ¥169,231 million in 2022.

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

Sales from Maintenance Contracts

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

Sales from Selling Merchandise and Sales from Disposal of Lease Properties

With regard to sales from selling merchandise and sales from disposal of lease properties at maturity of lease contracts of foreign subsidiaries, that adopted IFRS 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 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.

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 ¥2,199 million ($16,536 thousand) and ¥156,907 million ($1,179,757 thousand), respectively, as of March 31, 2023, and ¥1,413 million and ¥154,456 million, respectively, as of March 31, 2022. 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 26. Financial Instruments and Related Disclosures.

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

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

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

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

h. Property and Equipment

Leased Assets — See Note 2.d.

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

Own-Used Assets — Property and equipment held for the Companies’ own use are stated at cost. Depreciation is computed based on the estimated useful lives of the assets under the declining-balance method, while the straight-line method is applied to buildings 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 that adopted 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 Company classifies the receivables into receivables from the counterparties not in bankruptcy but in financial difficulties (“doubtful claims”), receivables from the counterparties in bankruptcy (“bankrupt claims”), and the other receivables (“general claims”) based on the credit information, such as the financial condition and payment history of the counterparties.

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

The amounts of long-term receivables considered uncollectible were directly written off from the accounts. The amounts directly written off were ¥16,770 million ($126,093 thousand) and ¥9,441 million at March 31, 2023 and 2022, respectively.

In addition, the consolidated foreign subsidiaries that adopted 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	14 to 15 years (six to 21 years in 2022)
Recognition period of actuarial gain/loss	seven to 20 years (10 to 20 years in 2022)

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 retrospectively changed accounting policies of items stated below from the year ended March 31, 2022.

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.

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 statements 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.

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.

s. New Accounting Pronouncements

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

(1) Outline

FASB issued ASU No. 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

Impairment of Leased Assets

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

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

As to the aircraft held by JSA International Holdings, L.P. group, which engaged in aircraft leasing business in the United States of America with leased assets of ¥1,098,940 million ($8,262,713 thousand) and ¥926,454 million at March 31, 2023 and 2022, respectively, the Companies regularly reviewed future cash flows and performed impairment evaluation in accordance with U.S. GAAP. The Companies compared the carrying amounts to the sum of the undiscounted future cash flows, and the amount by which the carrying value exceeded the fair value was recorded as an impairment loss for the assets where the carrying amount of aircraft exceeded the sum of the undiscounted future cash flows. Future cash flows were comprised of current lease rents, future lease rents, residual values at maturity, disposal costs, lease terms, off-lease periods, renewal lease term, and other factors. Future lease rents and residual values at maturity were based on appraisal results by appraisal companies and disposal costs, lease terms, off-lease periods and renewal periods were estimated based on historical experience and other information.

Impairment losses on aircraft of ¥5,635 million ($42,370 thousand) and ¥2,673 million were included in costs in the accompanying consolidated statements of income for the years ended March 31, 2023 and 2022, 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 ¥91,497 million ($687,951 thousand) and ¥90,326 million of goodwill as of March 31, 2023 and 2022, respectively.

Allowance for Doubtful Receivables

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

The potential losses are measured based on financial condition of customers, estimated recoverable amount of collaterals, and future cash flows by the estimated cash flow method. In addition, based on the expected credit loss model, the consolidated foreign subsidiaries that adopted 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 ¥ 90,900 million ($683,461 thousand) and ¥99,448 million as of March 31, 2023 and 2022, respectively.

Assets 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.d.. Major assets and liabilities and appraisal models used were as follows:

	Millions of yen	
	2022	Appraisal model used
Lease receivables and investments in leases	¥1,510,238	DCF model
Receivables – Loans	782,794	DCF model
Leased assets	536,791	Replacement costs method
Other operating assets	83,324	Replacement costs method
Other assets (valuation amounts of power supply and reception contracts in electricity sales business)	25,494	DCF model
Bonds	996,245	DCF model
Long-term loans from banks and other financial institutions	1,065,564	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 year ended March 31, 2022, include assumptions regarding future effects of COVID-19 on each business of the Companies.

3. Business Combinations

Business Divestitures
a. Transfer of Diamond Asset Finance

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

(1) Outline of the share transfer

(a) Name and business of the subsidiary

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

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

(c) Reason for the share transfer
The Company established Our 10-year Vision, “Together we innovate, challenge and explore the frontiers of the future”, and aim to achieve this vision by promoting “CX (Corporate Transformation / Customer Experience)” through “SX (Sustainability Transformation)”, “DX (Digital Transformation)”, and “Business Portfolio Transformation.”
For “Business Portfolio Transformation”, the Company will strive to achieve an optimal portfolio for the medium to long term growth based on “Developing new businesses”, “Shifting existing business to high value-added services”, and “Enhancing profitability and efficiency of existing businesses.” As a part of this effort, the Company decided to transfer the shares of Diamond Asset Finance, a subsidiary of the Company specialized in real estate related businesses, in order to concentrate resources on focused businesses and improve profitability in the real estate sector.

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

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

(2) Outline of accounting treatment

(a) Amount of loss on sales of shares
¥1,006 million ($7,566 thousand)

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

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥198,411**	**$1,491,813**
Property and equipment, Investments and other assets	**8,709**	**65,482**
Total assets	**¥207,120**	**$1,557,295**
Current liabilities	**¥70,312**	**$528,664**
Long-term liabilities	**129,403**	**972,955**
Total liabilities	**¥199,715**	**$1,501,619**

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

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

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

	Millions of yen	Thousands of U.S. dollars
Revenues	**¥22,282**	**$167,534**
Operating income	**5,390**	**40,532**

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

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

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

(1) Outline of the Business Divestitures

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

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

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

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

In these circumstances, Mitsubishi HC Capital Auto-Lease increased its capital through the third party allotment with Mitsubishi Corporation as allotee. Also, Mitsubishi Auto Leasing Corporation

(Mitsubishi Auto Leasing) and Mitsubishi HC Capital Auto-Lease completed the merger which Mitsubishi Auto Leasing as the surviving company on April 1, 2023, according to the merger agreement.

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

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

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

(2) Outline of accounting treatment

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

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥47,235	$355,153
Property and equipment, Investments and other assets	53,758	404,195
Total assets	¥100,993	$759,349
Current liabilities	¥86,062	$647,085
Long-term liabilities	410	3,085
Total liabilities	¥86,472	$650,170

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

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

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

	Millions of yen	Thousands of U.S. dollars
Revenues	¥53,085	$399,140
Operating income	2,652	19,943

Acquisition

c. 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
Consideration	Fair value on the business combination date of common stock held immediately before the business combination	¥16,725
Consideration	Fair value of common stock of the Company issued on the business combination date	381,480
Acquisition cost		¥398,205

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
Fees and commissions for advisory services, etc.	¥6,494

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

	Millions of yen
Loss on step acquisition	¥229

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

(1) The amount of gain from bargain purchase
¥431 million

(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, and 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
Current assets	¥2,853,966
Property and equipment, Investments and other assets	860,780
Deferred assets	978
Total assets	¥3,715,725
Current liabilities	¥1,376,757
Long-term liabilities	1,921,232
Total liabilities	¥3,297,990

d. 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
Consideration	Cash	¥124,190
Acquisition cost		¥124,190

4. Details and amount of major acquisition-related cost

	Millions of yen
Fees and commissions for advisory services, etc.	¥1,595

5. The amount of goodwill recognized and reason for recognition

(1) The amount of goodwill
¥33,613 million

(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
Current assets	¥127,629
Property and equipment, Investments and other assets	337,407
Deferred assets	6
Total assets	¥465,043
Current liabilities	¥38,173
Long-term liabilities	302,356
Total liabilities	¥340,529

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
Total revenues	¥49,498
Operating profit	15,024
Net income before income taxes	14,951
Net loss attributable to owners of the parent	(5,541)

	Yen
Basic net loss per share	¥(3.86)

(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.

4. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Marketable securities	**¥3,213**	¥2,019	**$24,162**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**192,861**	168,891	**1,450,083**
Other securities	**207,252**	207,754	**1,558,288**
Total	**¥403,327**	¥378,665	**$3,032,534**

Marketable and investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Equity securities	**¥182,857**	¥164,751	**$1,374,869**
Debt securities	**33,234**	22,423	**249,882**
Trust fund investments and other	**187,235**	191,490	**1,407,782**
Total	**¥403,327**	¥378,665	**$3,032,534**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2023 and 2022, were as follows:

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

	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

	Thousands of U.S. dollars			
March 31, 2023	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**$242,893**	**$125,717**	**$(6,494)**	**$362,116**
Debt securities	**250,461**	**53**	**(631)**	**249,882**
Trust fund investments and other	**44,557**	**8,367**		**52,925**
Total	**$537,912**	**$134,138**	**$(7,126)**	**$664,924**

Carrying amounts of nonmarketable equity securities and investments in partnerships, etc., that the equity interest equivalents are recorded as net in the consolidated balance sheets as of March 31, 2023 and 2022, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Nonmarketable equity securities:			
Shares of subsidiaries and associated companies	**¥125,362**	¥95,132	**$942,578**
Unlisted shares	**9,333**	27,190	**70,174**
Total	**¥134,696**	¥122,323	**$1,012,752**
Investments in partnership, etc.:			
Trust beneficiary interests		¥2,240	
Silent partnership interests and other	**¥122,904**	117,835	**$924,092**
Unconsolidated subsidiaries and associated companies	**57,291**	63,853	**430,763**
Total	**¥180,195**	¥183,929	**$1,354,857**

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Proceeds	**¥28,322**	¥46,155	**$212,954**
Realized gains	**5,089**	33,682	**38,263**
Realized losses	**(407)**	(118)	**(3,063)**

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Equity securities	**¥2,444**	¥145	**$18,381**
Trust fund investments and other	**1,546**		**11,624**
Total	**¥3,990**	¥145	**$30,005**

5. Inventories

Inventories as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Merchandise	**¥32,262**	¥21,731	**$242,574**
Real estate for resale	**13,802**	26,511	**103,776**
Total	**¥46,064**	¥48,242	**$346,350**

6. Investment Property

The Companies own certain rental properties, such as office buildings, commercial facilities, and rental residential properties, in major cities throughout Japan. The net of rental income and operating expenses for those properties was ¥12,550 million ($94,368 thousand) and ¥17,157 million for the fiscal years ended March 31, 2023 and 2022, respectively. The net gain from sales of those properties was ¥9,261 million ($69,637 thousand) for the fiscal year ended March 31, 2023.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2023 and 2022, were as follows:

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

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

Thousands of U.S. dollars			
2023			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
$3,143,807	**$(296,276)**	**$2,847,530**	**$3,302,589**

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, 2023, was primarily attributable to a ¥27,236 million ($204,782 thousand) increase from the acquisition of real estate and ¥50,306 million ($378,245 thousand) decrease from the sales of real estate.
Net change during the fiscal year ended March 31, 2022, was primarily attributable to a ¥73,370 million increase due to the merger with Hitachi Capital.
(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, 2023, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2023**	**2023**
2024	**¥467,698**	**$3,516,528**
2025	**358,573**	**2,696,039**
2026	**285,030**	**2,143,084**
2027	**173,252**	**1,302,651**
2028	**110,720**	**832,485**
Thereafter	**225,245**	**1,693,577**
Total	**¥1,620,520**	**$12,184,367**

Investments in leases as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Gross investments in leases	**¥2,179,684**	¥2,251,727	**$16,388,602**
Residual values	**83,715**	84,144	**629,438**
Unearned interest income	**(411,381)**	(409,033)	**(3,093,091)**
Total	**¥1,852,018**	¥1,926,838	**$13,924,950**

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2023, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2023**	**2023**
2024	**¥582,272**	**$4,377,985**
2025	**458,635**	**3,448,387**
2026	**347,546**	**2,613,131**
2027	**229,498**	**1,725,552**
2028	**136,614**	**1,027,174**
Thereafter	**425,117**	**3,196,370**
Total	**¥2,179,684**	**$16,388,602**

The consolidated balance sheets' amounts of sublease contracts, including those that aim to disperse credit risks, including interest as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Lease receivables	**¥18,018**	¥22,955	**$135,475**
Investments in leases	**29,531**	41,523	**222,040**
Lease obligations	**49,656**	65,635	**373,357**

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

8. Leased Assets

The minimum future rentals on lease contracts as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due within one year	**¥304,597**	¥291,470	**$2,290,208**
Due after one year	**1,257,432**	1,177,714	**9,454,380**
Total	**¥1,562,030**	¥1,469,185	**$11,744,588**

9. Goodwill

Goodwill as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Goodwill in connection with acquisition	**¥8,469**	¥10,587	**$63,681**
Consolidation goodwill	**83,027**	79,739	**624,269**
Total	**¥91,497**	¥90,326	**$687,951**

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, 2023 and 2022.

(1) Property and equipment

The Company recognized impairment losses of ¥8,420 million ($63,308 thousand) on the following property and equipment in the accompanying consolidated statement of income for the year ended March 31, 2023.

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2023		
Leased assets	Aircraft	**¥5,635**	**$42,370**
Leased assets	Aircraft engine	**311**	**2,342**
Leased assets	Railroad car	**2,473**	**18,595**

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

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

The Companies recognized impairment losses of ¥3,549 million on the following property and equipment in the accompanying consolidated statement of income for the year ended March 31, 2022.

Use	Type of assets	Millions of yen
	2022	
Leased assets	Aircraft	¥2,673
Leased assets	Aircraft engine	876

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%.

(2) Investments and other assets

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2023		
-	Goodwill (Mobility Mixx B. V.)	**¥123**	**$929**
-	Goodwill (EuroFleet Zrt.)	**200**	**1,505**

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

The Company decided to sell whole shares of Mobility Mixx B. V., a consolidated subsidiary, and reduced the carrying amount of goodwill to the recoverable amount. The reduced amount of ¥123 million ($929 thousand) was recorded as an impairment loss in other income (expenses).

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

As a result of that EuroFleet Zrt., a consolidated subsidiary, revaluated the discount rate due to changes in interest rates, EuroFleet Zrt., has reduced the carrying amount to the recoverable amount that is discounted by 20.7% for expected the future cash flow. The reduced amount of ¥200 million ($1,505 thousand) was recorded as an impairment loss in other income (expenses).

Use	Type of assets	Millions of yen	Thousands of U.S. dollars
	2023		
Own-used assets	Investments and other assets - other (EuroFleet Zrt.)	**¥155**	**$1,169**

EuroFleet Zrt., a consolidated subsidiary, has reduced the carrying amount of investments and other assets that are not expected to be used in the future to the recoverable amount. The reduced amount of ¥155 million ($1,169 thousand) was recorded as an impairment loss in other expenses.

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

11. Pledged Assets

As of March 31, 2023, 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
	2023	**2023**
Cash, cash equivalents, and time deposits other than cash equivalents	**¥19,205**	**$144,402**
Receivables — loans	**153,039**	**1,150,670**
Receivables — installment sales	**22,737**	**170,957**
Lease receivables and investments in leases	**533,785**	**4,013,426**
Inventories	**8,923**	**67,096**
Current assets — other	**19,122**	**143,781**
Leased assets	**1,030,226**	**7,746,063**
Other operating assets	**94,091**	**707,452**
Investment securities	**48,887**	**367,578**
Other intangible assets	**2,534**	**19,056**
Investments and other assets — other	**2,187**	**16,450**
Future rentals on operating lease contracts	**2,474**	**18,606**
Total	**¥1,937,217**	**$14,565,543**

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2023	**2023**
Bonds	**¥ 6,403**	**$ 48,148**
Long-term loans from banks and other financial institutions	**728,647**	**5,478,551**
Loans from the securitizations of the minimum future rentals on lease contracts	**603,352**	**4,536,486**
Long-term liabilities — other	**1,395**	**10,493**
Total	**¥1,339,799**	**$10,073,680**

12. Nonrecourse Loans

Nonrecourse loans as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Current maturities of nonrecourse long-term loans	**¥4,223**	¥3,829	**$31,752**
Nonrecourse bond	**100**	100	**751**
Nonrecourse long-term loans, less current maturities	**34,367**	34,862	**258,402**
Total	**¥38,690**	¥38,792	**$290,907**

Pledged assets for nonrecourse loans as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Inventories	**¥6,759**	¥6,720	**$50,822**
Leased assets	**43,809**	52,477	**329,396**
Total	**¥50,569**	¥59,198	**$380,219**

13. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Short-term loans from banks and other financial institutions:			
3.59%	**¥633,099**		**$4,760,145**
0.98%		¥591,431	
Commercial paper:			
0.72%	**¥559,485**		**$4,206,661**
0.14%		¥682,593	

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Bonds:			
Bonds without collateral:			
Due 2023-2036, 0.030%-0.963%	**¥937,541**		**$7,049,187**
Due 2022-2036, 0.010%-0.963%		¥1,103,047	
Subordinated bonds without collateral with interest deferral and early redemption clauses:			
Due 2076-2081, 0.630%-1.310%	**110,109**		**827,889**
Due 2076-2081, 0.630%-1.310%		110,138	
U.S. dollar bonds without collateral:			
Due 2023-2030, 3.559%-5.080%	**307,119**		**2,309,165**
Due 2022-2030, 2.652%-3.967%		281,497	
Euroyen bonds issued under the Medium Term Note (MTN) program:			
Due 2023-2027, 0.010%-0.340%	**47,200**		**354,887**
Due 2022-2024, 0.010%-0.180%		65,200	
Bonds without collateral issued by Bangkok Mitsubishi HC Capital Co., Ltd. (*1):			
Due 2023-2024, 0.130% - 0.260%	**3,015**		**22,670**
Due 2023-2024, 0.130% - 0.260%		3,029	
U.S. dollar bonds without collateral issued by Bangkok Mitsubishi HC Capital Co., Ltd. (*1):			
Due 2022, 0.155% - 0.202%		3,456	
U.S. dollar bonds without collateral issued by Jackson Square Aviation Ireland Ltd.:			
Due 2024-2028, 3.520%-3.990%	**39,810**		**299,323**
Due 2024-2028, 3.520%-3.990%		34,506	
U.S. dollar bonds without collateral issued by Engine Lease Finance Corporation:			
Due 2026-2031, 4.480%-4.730%	**26,540**		**199,548**
Due 2026-2031, 4.480%-4.730%		23,004	
U.S. dollar bonds issued under the MTN program by MHC America Holdings Corporation (*2):			
Due 2023-2030, 2.252 % -7.102%	**70,770**		**532,112**
Due 2022-2030, 1.249 % -3.097%		79,553	
U.S. dollar bonds without collateral issued by MHC America Holdings Corporation (*2):			
Due 2033, 5.658%	**66,765**		**501,992**
U.S. dollar bond with collateral issued by Container Applications Limited, LLC:			
Due 2022, 4.900%		4,664	
Sterling pound bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2027, 0.833%-5.686%	**67,606**		**508,318**
Due 2022-2027, 0.833%-2.200%		55,671	
Euro bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2029, 4.782%-5.296%	**156,496**		**1,176,665**
Due 2022-2029, 1.220%-1.810%		195,901	
U.S. dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2029, 4.747%-5.466%	**71,603**		**538,368**
Due 2022-2029, 1.260%-2.154%		54,023	

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2028, 4.787%-5.836%	**¥244,565**		**$1,838,836**
Due 2023-2026, 1.340%-2.350%		¥149,185	
Hong Kong dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2026, 4.844%-5.196%	**9,667**		**72,688**
Due 2022-2026, 1.532%-1.710%		14,873	
Chinese yuan bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023, 1.816%	**1,952**		**14,680**
Due 2022-2023, 1.510%-1.816%		5,784	
Australian dollars bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2029, 1.830%-5.396%	**11,705**		**88,011**
Due 2023-2029, 1.410%-1.910%		12,474	
Swiss franc bonds issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2023-2024, 4.627%-4.927%	**9,919**		**74,582**
Due 2023, 1.140%		3,690	
South African Rand bond issued under the MTN program by Mitsubishi HC Capital UK PLC:			
Due 2024, 4.507%	**1,493**		**11,229**
U.S. dollars bonds without collateral issued under MTN program by Mitsubishi HC Capital America, Inc.:			
Due 2023-2027, 0.805%-3.916%	**34,702**		**260,923**
Due 2022-2027, 0.699%-3.916%		44,807	
U.S. dollars bond without collateral issued by Mitsubishi HC Capital Management (China) Limited:			
Due 2022, 1.706%		12,278	
Bonds— other (*3):	**7,147**	7,103	**53,742**
Total	**¥2,225,731**	¥2,263,891	**$16,734,825**

(*1) Formerly Bangkok Mitsubishi UFJ Lease Co., Ltd.
(*2) Formerly MUL Asset Finance Corporation
(*3) Bonds— other includes nonrecourse bonds of ¥100 million ($751 thousand) and ¥100 million at March 31, 2023 and 2022, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 2.51%	**¥955,728**		**$7,185,930**
Due 2024-2050, 2.86%	**3,219,167**		**24,204,266**
Due within one year, 1.15%		¥806,645	
Due 2023-2050, 1.53%		3,078,334	
Total	**¥4,174,896**	¥3,884,980	**$31,390,196**
Nonrecourse loans:			
Due within one year, 0.92%	**¥4,223**		**$31,752**
Due 2024-2033, 0.88%	**34,367**		**258,402**
Due within one year, 0.92%		¥3,829	
Due 2023-2032, 0.87%		34,862	
Total	**¥38,590**	¥38,692	**$290,155**
Lease obligations, including fixed interests:			
Due within one year	**¥19,794**		**$148,830**
Due 2024-2049	**43,089**		**323,981**
Due within one year		¥21,676	
Due 2023-2049		53,331	
Total	**¥62,883**	¥75,008	**$472,811**
Loans from the securitizations of the minimum future rentals on lease contracts:			
Due within one year, 1.48%	**¥246,640**		**$1,854,438**
Due 2024-2031, 1.62%	**357,662**		**2,689,188**
Due within one year, 0.47%		¥247,900	
Due 2023-2031, 0.96%		356,592	
Total	**¥604,302**	¥604,493	**$4,543,627**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥187**		**$1,408**
Due 2024-2032	**935**		**7,035**
Due within one year		¥162	
Due 2023-2039		1,872	
Total	**¥1,123**	¥2,034	**$8,444**

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, 2023 and 2022.

As it is customary in Japan, substantially all of the Company's short-term bank loans are made under agreements, which provide that, at the request of such banks, the Company will provide additional collateral or guarantors with respect to the loan. As of March 31, 2023, the Company has not received any such request.

Annual maturities of long-term debt as of March 31, 2023, for the next five years were as follows:

	Millions of yen				
March 31, 2023	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Short-term loans from banks and other financial institutions	¥633,099				
Commercial paper	559,485				
Bonds	642,883	¥411,827	¥289,311	¥133,614	¥197,198
Nonrecourse bonds					100
Long-term loans from banks and other financial institutions	955,728	859,984	570,714	498,292	490,791
Nonrecourse loans	4,223	4,296	4,372	4,450	8,754
Lease obligations	19,794	15,456	9,493	5,382	3,030
Loans from the securitizations of the minimum future rentals on lease contracts and other	246,827	142,314	93,411	44,958	20,124
Total	¥3,062,042	¥1,433,880	¥967,303	¥686,698	¥719,998

	Thousands of U.S. dollars				
March 31, 2023	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Short-term loans from banks and other financial institutions	$4,760,145				
Commercial paper	4,206,661				
Bonds	4,833,709	$3,096,448	$2,175,274	$1,004,621	$1,482,692
Nonrecourse bonds					751
Long-term loans from banks and other financial institutions	7,185,930	6,466,048	4,291,083	3,746,562	3,690,160
Nonrecourse loans	31,752	32,308	32,878	33,461	65,824
Lease obligations	148,830	116,212	71,377	40,469	22,785
Loans from the securitizations of the minimum future rentals on lease contracts and other	1,855,846	1,070,037	702,345	338,034	151,308
Total	$23,022,876	$10,781,054	$7,272,959	$5,163,149	$5,413,523

The Company and certain consolidated subsidiaries had loan commitment agreements as of March 31, 2023 and 2022, amounting to ¥915,146 million ($6,880,799 thousand) and ¥920,238 million, respectively, of which ¥703,054 million ($5,286,125 thousand) and ¥678,198 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, 2023 and 2022, were ¥110 million ($831 thousand) and ¥136 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, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at beginning of year	**¥91,020**	¥26,322	**$684,361**
Current service cost	**3,368**	2,966	**25,323**
Interest cost	**681**	509	**5,124**
Actuarial losses	**(6,844)**	(191)	**(51,465)**
Benefits paid	**(3,531)**	(2,530)	**(26,552)**
Prior service cost	**(1,934)**		**(14,546)**
Change in the scope of consolidation	**(4,572)**		**(34,378)**
Increase due to the merger		63,944	
Balance at end of year	**¥78,186**	¥91,020	**$587,866**

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at beginning of year	**¥83,757**	¥23,282	**$629,753**
Expected return on plan asset	**1,665**	1,564	**12,521**
Actuarial (losses) gains	**(5,886)**	1,197	**(44,262)**
Contributions from the employer	**2,238**	2,075	**16,827**
Benefits paid	**(2,457)**	(1,987)	**(18,473)**
Change in the scope of consolidation	**(4,204)**		**(31,613)**
Increase due to the merger		57,624	
Balance at end of year	**¥75,112**	¥83,757	**$564,752**

(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
	2023	2022	2023
Funded defined benefit obligation	¥75,286	¥87,488	$566,064
Plan assets	(75,112)	(83,757)	(564,752)
	174	3,731	1,312
Unfunded defined benefit obligation	2,899	3,531	21,801
Net liability arising from defined benefit obligation	¥3,074	¥7,262	$23,113

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Liability for retirement benefits	¥6,463	¥8,856	$48,596
Asset for retirement benefits	(3,389)	(1,593)	(25,482)
Net liability arising from defined benefit obligation	¥3,074	¥7,262	$23,113

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥3,368	¥2,966	$25,323
Interest cost	681	509	5,124
Expected return on plan assets	(1,665)	(1,564)	(12,521)
Recognized actuarial losses	147	233	1,109
Amortization of prior service cost	(233)	(95)	(1,754)
Others	13	19	98
Net periodic benefit costs	¥2,311	¥2,069	$17,379

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost	¥1,701	¥(95)	$12,792
Actuarial gains	1,105	1,622	8,312
Total	¥2,806	¥1,527	$21,104

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service cost	¥(2,066)	¥(364)	$(15,534)
Unrecognized actuarial (gains) losses	(990)	115	(7,446)
Total	¥(3,056)	¥(249)	$(22,980)

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2023	2022
Debt investments	**38%**	40%
Equity investments	**19**	20
General account	**16**	14
Alternative investments*	**13**	15
Others	**14**	11
Total	**100%**	100%

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

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

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

(8) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	**0.35-0.99%**	0.22-0.73%
Expected rate of return on plan assets	**1.7-2.0**	1.7-2.0

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

(9) Defined contribution pension plans

Contributions to defined contribution pension plans for the years ended March 31, 2023 and 2022, were ¥2,852 million ($21,449 thousand) and ¥2,016 million, respectively.

15. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2023, totaling ¥331,790 million ($2,494,662 thousand), where the used portion is ¥172,245 million ($1,295,077 thousand), and the unused portion is ¥159,544 million ($1,199,585 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, 2023, as guarantor or co-guarantor for operating transactions of ¥21,860 million ($164,368 thousand), and borrowings and others of ¥22 million ($168 thousand) for their unconsolidated subsidiaries and others.

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

16. Equity

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

(a) Dividends

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

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

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

(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.c., 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

(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, 2023, were as follows:

	2011 stock option	2012 stock option	2013 stock option
Persons granted	9 directors 17 executive officers	10 directors 17 executive officers	10 directors 17 executive officers
Number of options granted*	651,600	721,700	583,100
Date of grant	October 15, 2010	October 14, 2011	October 15, 2012
The fair value of options granted under the plan at the grant dates*	¥250.1 ($1.88)	¥283.1 ($2.12)	¥312.8 ($2.35)

	2014 stock option	2015 stock option	2016 stock option
Persons granted	10 directors 19 executive officers	10 directors 18 executive officers	9 directors 20 executive officers
Number of options granted*	419,000	350,300	368,800
Date of grant	October 15, 2013	October 15, 2014	October 15, 2015
The fair value of options granted under the plan at the grant dates*	¥502 ($3.77)	¥490 ($3.68)	¥546 ($4.10)

	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 ($3.27)	¥566 ($4.25)	¥590 ($4.43)

	2020 stock option	2021 stock option	2022 stock option
Persons granted	5 directors 30 executive officers	5 directors 31 executive officers	6 directors 55 executive officers
Number of options granted*	490,400	507,000	866,300
Date of grant	July 12, 2019	July 15, 2020	July 15, 2021
The fair value of options granted under the plan at the grant dates*	¥513 ($3.85)	¥424 ($3.18)	¥499 ($3.75)

	2023 stock option
Persons granted	**6 directors 55 executive officers**
Number of options granted*	**855,400**
Date of grant	**July 15, 2022**
The fair value of options granted under the plan at the grant dates*	**¥511.0 ($3.84)**

The total stock-based compensation costs recognized for the years ended March 31, 2023 and 2022, were ¥437 million ($3,286 thousand) and ¥432 million, respectively.

The fair value of 2023 stock option is estimated using the Black-Scholes option-pricing model with the assumptions noted as follows in the table:

	2023 stock option
Volatility of stock price	**30.02%**
Estimated remaining outstanding period	**4.3 years**
Estimated dividend	**4.52%**
Risk-free interest rate	**(0.01)%**

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 ¥28.0 ($0.21) made in the preceding 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, 2023 and 2022, was as follows:

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

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

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

	2023 stock option
	Number of shares*
For the year ended March 31, 2022	
Outstanding at beginning of fiscal year ..	
Granted	
Canceled or expired	
Exercised..	
Outstanding at end of fiscal year............	
Vested at end of fiscal year.....................	
For the year ended March 31, 2023	
Outstanding at beginning of fiscal year ..	
Granted	**855,400**
Canceled or expired	
Exercised..	
Outstanding at end of fiscal year............	**855,400**
Vested at end of fiscal year.....................	**855,400**

* 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, 2023 and 2022, were as follows:

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

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

	Millions of yen						
	Reportable segment						
Year Ended March 31, 2022	Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Sales from maintenance contracts	¥ 33,582	¥ 14,381	¥ 15				
Sales from selling merchandise	13,258	7,907		¥ 5,497		¥ 4,528	¥ 904
Electricity sales		93	34,507				
Sales from disposal of lease properties (3)		40,020					
Others	7,923	16,525	985	7,091	¥ 415	1,707	902
Revenue from contracts with customers	54,764	78,928	35,508	12,588	415	6,236	1,806
Other revenue (4)	1,080,885	189,339	15,010	143,938	50,522	42,748	53,213
Total	¥1,135,650	¥ 268,268	¥ 50,519	¥ 156,526	¥ 50,938	¥ 48,984	¥ 55,019

	Millions of yen	
Year Ended March 31, 2022	Adjustments (2)	Consolidated
Revenues:		
Sales from maintenance contracts	¥ 26	¥ 48,006
Sales from selling merchandise		32,096
Electricity sales		34,600
Sales from disposal of lease properties (3)		40,020
Others	1,738	37,289
Revenue from contracts with customers	1,764	192,014
Other revenue (4)	(2,112)	1,573,545
Total	¥ (347)	¥ 1,765,559

Year Ended March 31, 2023	Thousands of U.S. dollars Reportable segment Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Sales from maintenance contracts	$ 260,251	$ 137,698	$ 161				
Sales from selling merchandise	181,465	30,613		$ 80,213		$ 53,324	$ 4,409
Electricity sales		2,455	236,324				
Sales from disposal of lease properties (3)		379,808			$ 6,786		61
Others	56,153	84,566	7,004	63,129	7,073	26,093	7,442
Revenue from contracts with customers	497,870	635,142	243,490	143,342	13,860	79,418	11,912
Other revenue (4)	7,638,489	1,859,409	118,195	1,112,466	863,365	624,414	407,606
Total	$ 8,136,360	$ 2,494,551	$ 361,685	$ 1,255,809	$ 877,225	$ 703,832	$ 419,519

Year Ended March 31, 2023	Thousands of U.S. dollars Adjustments (2)	Consolidated
Revenues:		
Sales from maintenance contracts	$ 88	$ 398,199
Sales from selling merchandise		350,026
Electricity sales		238,780
Sales from disposal of lease properties (3)		386,656
Others	11,100	262,563
Revenue from contracts with customers	11,189	1,636,227
Other revenue (4)	(2,792)	12,621,154
Total	$ 8,396	$ 14,257,381

Notes:
(1) As disclosed in Note 29 "Segment Information," the Company changed the reportable segments effective April 1, 2022. The segment information for the year ended March 31, 2022, has been presented based on the new segment classification.
(2) Adjustments include ¥(3,062) million ($(23,029) thousand) million and ¥(5,804) million of adjusted amount of sales following the merger with Hitachi Capital to which the purchase method was applied for the years ended March 31, 2023 and 2022, respectively.
(3) Sales from disposal of lease properties are sales from disposal of lease properties due to lease contract maturities of the consolidated foreign subsidiaries that adopted IFRS or U.S. GAAP.
(4) Other revenue primarily includes revenue from finance lease, operating lease, loans, and installment sales.

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

(2) Contract balances
Receivables from contracts with customers, contract assets, and contract liabilities as of March 31, 2023 and 2022, respectively, are as follows:

	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Receivables from contracts with customers (1)	¥8,768	¥ 10,739	$65,931
Contract assets			
Contract liabilities (2)	4,199	5,594	31,573

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, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Provision for doubtful receivables	**¥16,858**	¥37,477	**$126,754**
Employees' salaries, bonuses, and allowances	**70,274**	62,303	**528,380**
Other	**131,467**	120,789	**988,477**
Total	**¥218,600**	¥220,569	**$1,643,612**

20. Gain on Revaluation of Investment Securities

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

The Companies did not recognize any gain on revaluation of investment securities for the year ended March 31, 2022.

21. Gain on Step Acquisition

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

The Companies did not recognize any step acquisition gain for the year ended March 31, 2022.

22. Loss on Sales of Shares of Subsidiaries and Affiliates

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

The Companies did not recognize any loss on sales of shares of subsidiaries and affiliates for the year ended March 31, 2022.

23. Related-Party Transactions

The transactions with subsidiaries of Mitsubishi UFJ Financial Group, Inc. or Mitsubishi Corporation, which has significant influence over the Company, for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Interest expense*1	**¥12,886**	¥8,206	**$96,889**
Interest expense (U.S. dollars)*1	**N/A**	N/A *2	**125,870**
Lease revenue	**19,799**	17,957	**148,865**

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

*2 $55,710 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, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Lease receivables and investments in leases*3	**¥101,428**	¥111,623	**$762,623**
Short-term loans	**43,346**	43,113	**325,912**
Short-term loans (U.S. dollars)	**N/A**	N/A *5	**1,393,566**
Long-term loans, including current maturities	**399,765**	355,225	**3,005,755**
Long-term loans, including current maturities (U.S. dollars) *4	**N/A**	N/A *6	**3,275,901**

*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, 2023 and 2022, were $1,543,571 thousand and $1,353,004 thousand, respectively.

*5 $871,160 thousand

*6 $2,517,908 thousand

24. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred tax assets:			
Tax loss carryforwards	**¥101,147**	¥79,956	**$760,511**
Allowance for doubtful receivables	**16,210**	16,127	**121,886**
Accrued expenses	**11,424**	10,390	**85,902**
Asset retirement obligations	**11,194**	10,646	**84,169**
Advances received — leases	**10,341**	11,292	**77,756**
Other	**40,130**	40,162	**301,731**
Total of tax loss carryforwards and temporary differences	**190,450**	168,574	**1,431,956**
Less valuation allowance for tax loss carryforwards	**(6,968)**	(4,451)	**(52,395)**
Less valuation allowance for temporary differences	**(8,693)**	(8,824)	**(65,366)**
Total valuation allowance*3	**(15,662)**	(13,276)	**(117,761)**
Less deferred tax liabilities	**(141,562)**	(117,161)	**(1,064,383)**
Net deferred tax assets	**¥ 33,224**	¥38,137	**$ 249,811**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	**¥224,401**	¥181,141	**$1,687,230**
Deferred gain on derivatives under hedge accounting	**12,508**	1,742	**94,045**
Other	**48,463**	42,858	**364,388**
Total deferred tax liabilities	**285,373**	225,741	**2,145,664**
Less deferred tax assets	**(141,562)**	(117,161)	**(1,064,383)**
Net deferred tax liabilities	**¥143,810**	¥108,580	**$1,081,280**

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 and 2022, were as follows:

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

	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)
Net deferred tax assets relating to tax loss carryforwards*2	¥159	¥1,494	¥575	¥73,274	¥75,504

	Thousands of U.S. dollars				
March 31, 2023	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	**$3,522**	**$37,796**	**$15,623**	**$703,568**	**$760,511**
Less valuation allowances for tax loss carryforwards	**(1,957)**	**(29,366)**	**(15,004)**	**(6,066)**	*3 **(52,395)**
Net deferred tax assets relating to tax loss carryforwards*2	**$1,565**	**$8,429**	**$618**	**$697,502**	**$708,115**

*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 ¥2,386 million ($17,941 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.

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

	2023
Normal effective statutory tax rate	**30.6%**
Difference in statutory tax rates of foreign subsidiaries	**(3.7)**
Income not taxable for tax purpose, such as dividends received	**(2.4)**
Other — net	**(1.4)**
Actual effective tax rate	**23.1%**

The difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2022, was not disclosed because the difference was less than 5% of the normal effective statutory tax rate.

25. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due within one year	**¥3,773**	¥4,455	**$28,368**
Due after one year	**6,293**	10,352	**47,318**
Total	**¥10,066**	¥14,808	**$75,687**

26. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

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

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

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

Please see Note 27 for more details about derivatives.

(3) Risk management for financial instruments

(a) Credit risk management

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

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

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

(i) Interest rate fluctuation risk management

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

(ii) Quantitative information of market risk

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

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

The 10 BPV at March 31, 2023 and 2022, was ¥4,334 million ($32,587 thousand) and ¥2,882 million, respectively. The market risk VaR at March 31, 2023 and 2022, was ¥130,849 million ($983,827 thousand) and ¥47,126 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 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, investments in partnerships, etc., that the equity interest equivalents are recorded as net in the balance sheet applying the Paragraph 24-6 of *Implementation Guidance on Accounting Standard for Fair Value Measurement* are not included in the tables below.

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

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

	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, 2023	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities (1):				
Equity securities	**$202,425**		**$159,691**	**$362,116**
Government and municipal bonds	**27,249**			**27,249**
Corporate bonds		**$222,633**		**222,633**
Other		**40,757**	**12,167**	**52,925**
Derivative transactions (2):				
Foreign currency forward contracts		**(287,593)**		**$(287,593)**
Interest rate swaps		**400,985**		**400,985**
Total assets	**$229,674**	**$376,783**	**$171,859**	**$778,317**

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 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 ¥19,402 million ($145,886 thousand) and ¥(28,883) million as of March 31, 2023 and 2022, respectively, to which *Treatment of Hedge*

Accounting for Financial Instruments that Reference LIBOR (the revised Practical Solution No. 40, March 17, 2022) is applied.

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

	Millions of yen					
	Fair value					
March 31, 2023	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Receivables:						
Installment sales					**¥231,280**	
Deferred profit on installment sales					**(9,648)**	
Allowance for doubtful receivables..........					**(1,063)**	
Subtotal.............			**¥227,514**	**¥227,514**	**220,567**	**¥6,947**
Receivables:						
Loans					**1,911,212**	
Allowance for doubtful receivables..........					**(10,128)**	
Subtotal.............		**¥263**	**1,842,492**	**1,842,755**	**1,901,084**	**(58,328)**
Lease receivables and investments in leases					**3,264,169**	
Residual values of investments in leases					**(83,715)**	
Allowance for doubtful receivables..........					**(7,259)**	
Subtotal.............		**79,970**	**3,185,697**	**3,265,668**	**3,173,194**	**92,473**
Long-term receivables					**99,912**	
Allowance for doubtful receivables..........					**(68,784)**	
Subtotal.............			**31,128**	**31,128**	**31,128**	
Total..........................		**¥80,234**	**¥5,286,833**	**¥5,367,067**	**¥5,325,974**	**¥41,092**
Bonds........................		**¥2,183,956**		**¥2,183,956**	**¥2,225,731**	**¥(41,775)**
Long-term loans from banks and other financial institutions		**4,137,837**		**4,137,837**	**4,213,486**	**(75,649)**
Loans from the securitizations of the minimum future rentals on lease contracts................		**600,046**		**600,046**	**604,302**	**(4,255)**
Total..........................		**¥6,921,840**		**¥6,921,840**	**¥7,043,521**	**¥(121,680)**

March 31, 2022	Millions of yen Fair value 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, 2023	Level 1	Level 2	Level 3	Total	Carrying amount	Unrealized gain (loss)
Receivables:						
Installment sales					**$1,738,949**	
Deferred profit on installment sales					**(72,547)**	
Allowance for doubtful receivables					**(7,999)**	
Subtotal.............			**$1,710,638**	**$1,710,638**	**1,658,401**	**$52,236**
Receivables:						
Loans					**14,370,015**	
Allowance for doubtful receivables					**(76,150)**	
Subtotal.............		**$1,979**	**13,853,326**	**13,855,306**	**14,293,864**	**(438,558)**
Lease receivables and investments in leases					**24,542,629**	
Residual values of investments in leases					**(629,438)**	
Allowance for doubtful receivables					**(54,584)**	
Subtotal.............		**601,284**	**23,952,611**	**24,553,896**	**23,858,606**	**695,289**
Long-term receivables					**751,221**	
Allowance for doubtful receivables					**(517,173)**	
Subtotal.............			**234,047**	**234,047**	**234,047**	
Total..........................		**$603,264**	**$39,750,624**	**$40,353,889**	**$40,044,920**	**$308,968**
Bonds........................		**$16,420,723**		**$16,420,723**	**$16,734,825**	**$(314,101)**
Long-term loans from banks and other financial institutions		**31,111,556**		**31,111,556**	**31,680,352**	**(568,796)**
Loans from the securitizations of the minimum future rentals on lease contracts................		**4,511,631**		**4,511,631**	**4,543,627**	**(31,995)**
Total..........................		**$52,043,911**		**$52,043,911**	**$52,958,805**	**$(914,893)**

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

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

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 unobservable inputs are categorized as Level 3.

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

Derivatives

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

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 unobservable inputs are categorized as Level 3 and others are categorized as Level 2.

Receivables — Loans

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

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

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

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

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

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

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

Quantitative information related to significant unobservable inputs

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

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

Large fluctuation of estimated future cash flows cause significant fluctuation of stock values.

Information for others has been omitted as it is immaterial.

March 31, 2022	Valuation method	Significant unobservable inputs	Input range	Weighted average of input
Marketable and investment securities:				
Equity securities	Multiple method	EV/RAV ratio	1.37	1.37

Information for others has been omitted as it is immaterial.

Reconciliation from the beginning balance to the ending balance

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

	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		
	2023		
	Marketable and investment securities		
	Equity securities	Other	Total
Beginning balance	**$121,762**	**$17,531**	**$139,294**
Income and other comprehensive income:			
Income (1)	**(2,057)**	**(1,258)**	**(3,316)**
Other comprehensive income (2)	**12,871**	**5**	**12,877**
Purchase, sales, and redemption:			
Purchase (3)	**53,687**	**1,625**	**55,312**
Sales and redemption	**(26,572)**	**(5,736)**	**(32,308)**
Reclassified to Level 3			
Reclassified from Level 3			
Ending balance	**159,691**	**12,167**	**171,859**
Income on financial assets and liabilities held at end of year (1)	**(2,057)**	**(1,258)**	**(3,316)**

Notes:

(1) Mainly included in "Other — net" for the year ended March 31, 2023, and "Revenues" for the year ended March 31, 2022, in the consolidated statements of income.

(2) Mainly included in "Foreign currency translation adjustments" for the year ended March 31, 2023, and "Net unrealized gain on available-for-sale securities" for the year ended March 31, 2022, in the consolidated statements of comprehensive income.

(3) Purchase includes increases due to transfer from other accounts for the year ended March 31, 2023, and increases due to the merger with Hitachi Capital and transfer from other accounts for the year ended March 31, 2022.

Details of fair value measurement

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

Effect on fair value when significant unobservable inputs changed

EV/RAV ratio

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

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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Nonmarketable equity securities (1):			
Shares of subsidiaries and associated companies	**¥125,362**	¥95,132	**$942,578**
Unlisted shares	**9,333**	27,190	**70,174**
Total	**¥134,696**	¥122,323	**$1,012,752**
Investments in partnership, etc. (2):			
Trust beneficiary interests		¥2,240	
Silent partnership interests and other	**¥122,904**	117,835	**$924,092**
Unconsolidated subsidiaries and associated companies	**57,291**	63,853	**430,763**
Total	**¥180,195**	¥183,929	**$1,354,857**

Notes:

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

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

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

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

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

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
	Millions of yen					
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

March 31, 2023	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars					
Cash and cash equivalents	**$3,462,305**					
Time deposits other than cash equivalents	**954,531**					
Bank overdrafts	**16,912**					
Receivables						
Installment sales (1)	**601,454**	**$438,766**	**$310,276**	**$200,307**	**$101,551**	**$86,592**
Loans	**6,305,412**	**2,561,450**	**2,019,187**	**1,233,647**	**969,783**	**1,280,533**
Lease receivables and investments in leases (2)	**7,894,514**	**6,144,427**	**4,756,216**	**3,028,204**	**1,859,659**	**4,889,948**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**7,546**	**38,179**	**12,418**	**15,108**	**18,447**	**158,181**
Other	**16,615**	**273,737**	**151,243**	**157,064**	**47,993**	**590,398**
Total	**$19,259,292**	**$9,456,561**	**$7,249,342**	**$4,634,333**	**$2,997,435**	**$7,005,654**

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

27. Derivatives

Derivative transactions to which hedge accounting is not applied as of March 31, 2023 and 2022, were as follows:

	Millions of yen							
	2023				2022			
	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	**¥10,000**		**¥(2,437)**	**¥(2,437)**	¥70,000	¥10,000	¥(8,169)	¥(8,169)
Indonesia rupiah payment, Japanese yen receipt	**1,550**	**¥1,350**	**(146)**	**(146)**	950	950	(144)	(144)
Chinese yuan payment, U.S. dollars receipt					417			
Foreign exchange forward contracts:								
Selling Sterling pound	**8,947**	**3,714**	**(1,404)**	**(1,404)**	8,065		(1,712)	(1,712)
Buying Euro	**58**							
Buying U.S. dollars					53			
Buying Singapore dollars					7			
Interest rate swap contracts:								
Fixed-rate payment, floating-rate receipt	**9,754**	**8,288**	**(334)**	**(334)**	17,365	15,112	(810)	(810)

	Thousands of U.S. dollars			
	2023			
	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	**$75,187**		**$(18,324)**	**$(18,324)**
Indonesia rupiah payment, Japanese yen receipt	**11,654**	**$10,150**	**(1,098)**	**(1,098)**
Chinese yuan payment, U.S. dollars receipt				
Foreign exchange forward contracts:				
Selling Sterling pound	**67,272**	**27,927**	**(10,560)**	**(10,560)**
Buying Euro	**437**		**2**	**2**
Buying U.S. dollars				
Buying Singapore dollars				
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	**73,338**	**62,315**	**(2,513)**	**(2,513)**

Derivative transactions to which hedge accounting is applied as of March 31, 2023 and 2022, were as follows:

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

	Hedged item	Millions of yen 2022 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	

	Hedged item	Thousands of U.S. dollars		
		2023		
		Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Indonesia rupiah payment, U.S. dollars receipt	Loans	**$41,554**	**$20,474**	**$961**
Thai baht payment, U.S. dollars receipt	Loans	**75,969**	**51,820**	**2,252**
Sterling pound payment, U.S. dollars receipt	Bonds	**540,143**	**394,566**	**1,069**
Singapore dollars payment, U.S. dollars receipt	Loans	**85,704**	**66,629**	**1,002**
Indonesia rupiah payment, Japanese yen receipt	Loans	**7,518**	**7,518**	**(883)**
Thai baht payment, Japanese yen receipt	Loans, bonds	**41,353**	**30,075**	**(4,852)**
Sterling pound payment, Japanese yen receipt	Loans, bonds	**2,343,609**	**1,182,706**	**(240,141)**
Sterling pound payment, Euro receipt	Loans, bonds	**1,287,375**	**903,902**	**(12,463)**
Sterling pound payment, Hong Kong dollars receipt	Bonds	**75,457**	**58,831**	**(69)**
Sterling pound payment, Australian dollars receipt	Bonds	**87,666**	**64,064**	**(4,181)**
Sterling pound payment, Chinese yuan receipt	Bonds	**14,601**		**487**
Sterling pound payment, Swiss franc receipt	Bonds	**74,728**		**1,931**
Sterling pound payment, South Africa rand receipt	Bonds	**11,263**	**11,263**	**89**
Indonesia rupiah payment, Singapore dollars receipt	Loans	**5,426**	**4,229**	**128**
Cross-currency interest rate swap contracts:				
Euro payment, Thai baht receipt	Loans	**1,300**	**790**	
Foreign exchange forward contracts:				
Buying U.S. dollars	Forecast transaction	**216**		
Foreign exchange forward contracts:				
Selling U.S. dollars	Forecast transaction	**2,124**	**288**	**441**
Buying Euro	Commercial paper	**573,469**		**(2,902)**
Buying U.S. dollars	Commercial paper	**109,082**		**(488)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Loans, bonds	**678,422**	**429,460**	**(9,862)**
Fixed-rate payment, floating-rate receipt	Loans, bonds	**10,566,423**	**6,924,430**	**413,362**
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Loans	**994,933**	**748,731**	

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, 2023 and 2022, and included in the fair value of hedged items.

28. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Net unrealized loss on available-for-sale securities:			
(Losses) gains arising during the year	**¥(311)**	¥5,749	**$(2,342)**
Reclassification adjustments to loss	**(886)**	(29,413)	**(6,666)**
Amount before income tax effect	**(1,198)**	(23,664)	**(9,008)**
Income tax effect	**734**	8,085	**5,521**
Total	**(463)**	(15,578)	**(3,487)**
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	**53,847**	10,142	**404,870**
Reclassification adjustments to profit	**(2,591)**	8,722	**(19,485)**
Amount before income tax effect	**51,256**	18,864	**385,384**
Income tax effect	**(11,624)**	(3,863)	**(87,400)**
Total	**39,631**	15,001	**297,984**
Foreign currency translation adjustments:			
Adjustments arising during the year	**93,891**	69,358	**705,949**
Reclassification adjustments			
Amount before income tax effect	**93,891**	69,358	**705,949**
Income tax effect			
Total	**93,891**	69,358	**705,949**
Defined retirement benefit plans:			
Adjustments arising during the year	**2,892**	1,389	**21,749**
Reclassification adjustments to profit	**(85)**	138	**(644)**
Amount before income tax effect	**2,806**	1,527	**21,104**
Income tax effect	**(952)**	(465)	**(7,160)**
Total	**1,854**	1,061	**13,944**
Share of other comprehensive income in associates:			
Gains arising during the year	**11,204**	3,263	**84,243**
Reclassification adjustments to profit	**1,305**	125	**9,818**
Total	**12,510**	3,389	**94,062**
Total other comprehensive income	**¥147,424**	¥73,232	**$1,108,452**

29. Segment Information

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

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

Description of new reportable segments is as follows:

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

The segment information for the year ended March 31, 2022, has been reclassified based on the new reportable segments.

Also, following the organizational changes, the Company plan to change the reportable segment name “Environment Energy & Infrastructure” to “Environment Energy,” effective April 1, 2023.

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

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

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

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

	Millions of yen						
	Reportable segment						
Year Ended March 31, 2022	Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Revenue from external customers	¥ 1,135,650	¥ 268,268	¥ 50,519	¥ 156,526	¥ 50,938	¥ 48,984	¥ 55,019
Intersegment revenue or transfers	1,461	32	4		24	92	89
Total	1,137,111	268,300	50,523	156,526	50,963	49,076	55,109
Segment profit	32,692	40,856	2,278	5,682	815	12,395	3,134
Segment assets (3)	3,337,672	2,316,383	419,399	1,365,126	1,026,757	712,700	129,429
Other items:							
Depreciation	121,299	66,676	15,868	80,848	25,634	3,126	14,414
Amortization of goodwill		696		2,621	139	500	58
Cost of funds and interest expense	12,655	32,053	5,521	29,715	13,500	4,995	723
Equity in earnings of affiliates	883	(1,174)	2,442	42	124	210	2,289
Other income	2,941	26,754		239			
Gain on sales of investment securities	2,941	26,754		239			
Gain from bargain purchase							
Other expenses	48	49					
Loss on sales of investment securities	48	4					
Loss on step acquisition		44					
Taxes	14,702	16,087	4,035	3,928	238	6,127	602
Investments in equity method affiliates	20,301	3,516	60,288	2,634	1,670	31,941	22,116
Increase in property and equipment and intangible assets	333,575	409,986	99,840	148,896	92,506	23,223	68,457

Year Ended March 31, 2022	Millions of yen Adjustments (1)	 Consolidated (2)
Revenues:		
Revenue from external customers	¥ (347)	¥ 1,765,559
Intersegment revenue or transfers	(1,705)	
Total	(2,052)	1,765,559
Segment profit	1,546	99,401
Segment assets (3)	1,021,402	10,328,872
Other items:		
Depreciation	(1,761)	326,105
Amortization of goodwill	2,117	6,135
Cost of funds and interest expense	(15,793)	83,372
Equity in earnings of affiliates		4,818
Other income	464	30,399
Gain on sales of investment securities	32	29,967
Gain from bargain purchase	431	431
Other expenses	290	388
Loss on sales of investment securities	61	114
Loss on step acquisition	229	273
Taxes	173	45,896
Investments in equity method affiliates		142,469
Increase in property and equipment and intangible assets	41,574	1,218,059

	Thousands of U.S. dollars						
	Reportable segment						
Year Ended March 31, 2023	Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility
Revenues:							
Revenue from external customers	**$ 8,136,360**	**$ 2,494,551**	**$ 361,685**	**$ 1,255,809**	**$ 877,225**	**$ 703,832**	**$ 419,519**
Intersegment revenue or transfers	**10,026**		**41**			**532**	**355**
Total	**8,146,386**	**2,494,551**	**361,727**	**1,255,809**	**877,225**	**704,365**	**419,874**
Segment profit	**286,977**	**218,149**	**87,646**	**46,688**	**115,680**	**95,079**	**28,559**
Segment assets (3)	**24,268,739**	**19,881,833**	**3,257,867**	**12,332,576**	**8,217,369**	**3,362,990**	**311,293**
Other items:							
Depreciation	**786,798**	**580,089**	**111,631**	**625,373**	**409,141**	**22,698**	**106,954**
Amortization of goodwill		**6,325**		**23,597**	**14,555**	**3,762**	**511**
Cost of funds and interest expense	**95,510**	**441,054**	**46,325**	**290,584**	**171,506**	**41,504**	**5,508**
Equity in earnings of affiliates	**9,608**	**(458)**	**57,831**	**1,168**	**1,176**	**1,103**	**19,661**
Other income	**8,182**	**54,095**	**20,258**	**825**	**2**		
Gain on sales of investment securities	**8,182**		**11,537**	**825**	**2**		
Gain on revaluation of investment securities		**54,095**					
Gain on step acquisition			**8,720**				
Other expenses	**223**	**18,845**	**2,752**			**7,566**	
Loss on sales of investment securities	**223**	**200**					
Loss on revaluation of investment securities		**15,040**	**2,752**				
Loss on sales of shares of subsidiaries and affiliates						**7,566**	
Impairment loss		**3,604**					
Taxes	**128,139**	**81,595**	**37,391**	**20,990**	**34,600**	**(384)**	**2,679**
Investments in equity method affiliates	**160,088**	**28,839**	**651,975**	**32,267**	**14,493**	**112,975**	**225,747**
Increase in property and equipment and intangible assets	**504,281**	**1,313,521**	**108,106**	**1,174,215**	**375,726**	**40,943**	**108,483**

Year Ended March 31, 2023	Thousands of U.S. dollars Reportable segment Adjustments (1)	 Consolidated (2)
Revenues:		
Revenue from external customers	**$ 8,396**	**$ 14,257,381**
Intersegment revenue or transfers	**(10,955)**	
Total	**(2,559)**	**14,257,381**
Segment profit	**(4,788)**	**873,994**
Segment assets (3)	**9,015,421**	**80,648,092**
Other items:		
Depreciation	**(11,660)**	**2,631,027**
Amortization of goodwill	**15,920**	**64,673**
Cost of funds and interest expense	**(6,259)**	**1,085,733**
Equity in earnings of affiliates		**90,091**
Other income	**1,978**	**85,343**
Gain on sales of investment securities	**1,978**	**22,526**
Gain on revaluation of investment securities		**54,095**
Gain on step acquisition		**8,720**
Other expenses	**2,663**	**32,050**
Loss on sales of investment securities	**2,638**	**3,063**
Loss on revaluation of investment securities	**24**	**17,816**
Loss on sales of shares of subsidiaries and affiliates		**7,566**
Impairment loss		**3,604**
Taxes	**(38,459)**	**266,552**
Investments in equity method affiliates		**1,226,387**
Increase in property and equipment and intangible assets	**112,075**	**3,737,354**

Notes:

(1) "Adjustments" in revenues contain adjustments of ¥(3,062) million ($(23,029) thousand) and ¥(5,804) million for the years ended March 31, 2023 and 2022, respectively, due to purchase method accounting applied to the merger of Hitachi Capital.

"Adjustments" in segment profit contain mainly Company-wide expenses included in selling, general, and administrative expenses, which are not attributed to each reportable segment. "Adjustments" in segment profit also contain adjustments due to purchase method accounting applied to the merger of Hitachi Capital of ¥2,775 million ($20,869 thousand) and ¥2,744 million for the years ended March 31, 2023 and 2022, respectively.

"Adjustments" in segment assets contain goodwill recognized when Diamond Lease Company Limited and UFJ Central Leasing Company Limited merged and became Mitsubishi UFJ Lease in 2007, investment securities held for Company-wide purpose which are not attributed to each reportable segment, and elimination of intersegment transactions amounting to ¥105,820 million ($795,644 thousand) and ¥37,907 million, as of March 31, 2023 and 2022, respectively. The total of such assets and the segment assets which attributed to each reportable segment, was ¥9,632,966 million ($72,428,315 thousand) and ¥9,345,376 million, as of March 31, 2023 and 2022, 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 ¥1,093,230 million ($8,219,777 thousand) and ¥983,495 million, as of March 31, 2023 and 2022, 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				
	2023				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥1,557,642**	**¥94,841**	**¥94,886**	**¥148,862**	**¥1,896,231**

	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

	Thousands of U.S. dollars				
	2023				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$11,711,596**	**$713,092**	**$713,428**	**$1,119,263**	**$14,257,381**

5. Information about geographical areas

(1) Revenues

Millions of yen					
2023					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥1,277,960	**¥142,882**	**¥328,212**	**¥127,891**	**¥19,285**	**¥1,896,231**

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

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.

Thousands of U.S. dollars					
2023					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$9,608,726	**$1,074,300**	**$2,467,762**	**$961,590**	**$145,001**	**$14,257,381**

(2) Property and equipment

Millions of yen						
2023						
	North America		Europe/ Middle and Near East			
Japan	United States	Other		Asia/Oceania	Other	Total
¥810,109	**¥565,163**	**¥160,398**	**¥1,210,645**	**¥689,033**	**¥193,556**	**¥3,628,907**

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

Thousands of U.S. dollars						
2023						
	North America		Europe/ Middle and Near East			
Japan	United States	Other		Asia/Oceania	Other	Total
$6,091,050	**$4,249,346**	**$1,206,000**	**$9,102,601**	**$5,180,703**	**$1,455,313**	**$27,285,016**

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

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

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

	Millions of yen								
	2022								
	Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility	Adjustments	Consolidated
Impairment loss................				¥ 3,550					¥ 3,550

	Thousands of U.S. dollars								
	2023								
	Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility	Adjustments	Consolidated
Impairment loss................		**$3,604**		**$44,712**	**$18,595**				**$66,913**

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

For the year ended March 31, 2022, impairment loss is recorded in costs.

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

	Millions of yen								
	2023								
	Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility	Adjustments (1)	Consolidated
Amortization of goodwill...		**¥ 841**		**¥ 3,138**	**¥ 1,935**	**¥ 500**	**¥ 67**	**¥ 2,117**	**¥ 8,601**
Unamortized balance of goodwill..........................		**13,330**		**32,007**	**36,975**		**714**	**8,469**	**91,497**

	Millions of yen						
	2022						
	Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility
Amortization of goodwill...		¥ 696		¥ 2,621	¥ 139	¥ 500	¥ 58
Unamortized balance of goodwill..........................		12,595		30,489	33,743	2,168	742

	Millions of yen	
	2022	
	Adjustments (1)	Consolidated
Amortization of goodwill...	¥ 2,117	¥ 6,135
Unamortized balance of goodwill..........................	10,587	90,326

	Thousands of U.S. dollars						
	2023						
	Customer Solutions	Global Business	Environment Energy & Infrastructure	Aviation	Logistics	Real Estate	Mobility
Amortization of goodwill...		**$6,325**		**$23,597**	**$14,555**	**$3,762**	**$511**
Unamortized balance of goodwill..........................		**100,231**		**240,660**	**278,008**		**5,368**

	Thousands of U.S. dollars	
	2023	
	Adjustments (1)	Consolidated
Amortization of goodwill...	**$15,920**	**$64,673**
Unamortized balance of goodwill..........................	**63,681**	**687,951**

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

8. Information about gain from bargain purchase

No gain from bargain purchase was recorded for the year ended March 31, 2023.

Gain from bargain purchase of ¥431 million 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.

30. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2023	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥116,241**	**1,436,042**	**¥80.95**	**$0.60**
Effect of dilutive securities:				
Warrants		**4,209**		
Diluted EPS:				
Net income for computation	**¥116,241**	**1,440,251**	**¥80.71**	**$0.60**

	Millions of yen	Thousands of shares	Yen
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
Effect of dilutive securities:			
Warrants		3,736	
Diluted EPS:			
Net income for computation	¥99,401	1,439,400	¥69.06

31. Subsequent Events

a. On May 23, 2023, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥18.00 ($0.13) per share	**¥25,856**	**$194,413**

b. Acquisition of all shares of CenterPoint Development Inc. (CPD)

On April 14, 2023, the Company agreed to acquire all of the shares of CPD, an equity method affiliate that provides investment advice and asset management services related to logistics real estate. The Company completed the share acquisition on April 21, 2023.

1. Outline of the business combination

(1) Name and business of the acquired company

Name: CenterPoint Development Inc.
Business: Investment advisory and asset management services related to logistics real estate

(2) Reason for the business combination

The logistics market has continued to grow on the back of the surging demand due to expansion of domestic e-commerce, and the logistics facility leasing market is also steadily growing. The expansion of e-commerce is expected to continue, and there is also a growing need for logistics facilities to meet demands, such as for labor-saving and automation, integration or reconstruction due to aging or obsolescence, and the location in areas with traffic convenience.

The Company has decided to make CPD its wholly owned subsidiary to enhance and expand the logistics facility-related business with the company as it engages in the development of logistics facilities meeting tenants' needs and the asset management business specializing in such facilities.

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

(4) Legal form of the business combination
Share transfer agreement in exchange for cash

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

(6) The percentage of voting rights acquired

Voting ratio held immediately before the business combination	33.40%
Voting ratio after the acquisition	100.00%

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

2. Details of acquisition cost and consideration by type
Not disclosed based on the agreement between both parties.

3. Details and amount of major acquisition-related cost
The cost is currently being determined.

4. The amount of goodwill recognized and reason for recognition
Although the amount is currently being determined, the Company expects to recognize goodwill and gain on step acquisition by the business combination.

5. Details of assets acquired and liabilities assumed at the acquisition date
The amounts are currently being determined.

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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. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Basis for Opinion

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

Key Audit Matters

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

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

Impairment evaluation for 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, Impairment of Leased Assets to the consolidated financial statements, the aircraft held by JSA International Holdings, L. P. ("JSA") located in the United States (the "US") of 1,098,940 million yen were recorded as leased assets in the consolidated balance sheet as of March 31, 2023. The Group performs an impairment evaluation for the aircraft in accordance with accounting principles generally accepted in the US by the following: (1) For each aircraft, the carrying amount is compared to the sum of the undiscounted future cash flows. (2) Where the carrying amount of aircraft exceeded the sum of the undiscounted future cash flows, the carrying amounts are compared to the fair value of aircraft. The amount by which the carrying amount exceeded the fair value is recorded as an impairment loss.	Our audit procedures related to the impairment evaluation for the aircraft held by JSA as leased assets included the following, among others: ➢ Evaluated the design and operating effectiveness of controls over the estimation of undiscounted future cash flows used to evaluate whether impairment indicators exist on the aircraft held by JSA as leased assets. ➢ Inquired of the official in charge of the Aviation Division about the business environment surrounding JSA. ➢ Inquired of the Aviation Division manager about the customers who had a delayed payment of lease rents or requested to defer lease rental payments in order to understand the extent of uncertainty of undiscounted future cash flows.
As a result, the Group recorded 5,635 million yen of the impairment loss which was included in costs in the consolidated statement of income for the year ended March 31, 2023. The undiscounted future cash flows used in the impairment evaluation by management are estimated based on assumptions, such as current lease rents, future lease rents, residual values at maturity, disposal costs, lease terms, off-lease periods and renewal lease terms. The judgments made in the impairment evaluation need to consider the uncertainty of accounting estimates regarding certain assumptions, such as future lease rents, off-lease periods and disposal values at maturity since the demand is still recovering in the aviation industry. There is a potential risk that the impairment losses on the leased assets are not appropriately recognized if these estimates are not appropriate. Therefore, we determined the impairment evaluation for the aircraft held by JSA as leased assets as a key audit matter.	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 methodologies and the assumptions used in the undiscounted future cash flows analysis. ➢ Inspected the external appraisal reports obtained by management on the future lease rents and disposal values of aircrafts at lease 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 used in the prior-year's impairment evaluation to examine the reasonableness of the third-party appraisal. ➢ Evaluated management's estimation of the off-lease period by inspecting the historical data for the period it took until lease renewal and tested the assumption of the off-lease period for any leases coming due in the near term and whether to change the off-lease period. ➢ Evaluated the assumptions, such as future lease rents and off lease periods used in the impairment 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.

Appropriateness of receivables classification in calculating an allowance for doubtful receivables	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group recorded 90,900 million yen of an allowance for doubtful receivables in the consolidated balance sheets as of March 31, 2023. The allowance for doubtful receivables was mainly related to 231,280 million yen of receivables-installment sales, 3,264,169 million yen of lease receivables and investments in leases, 1,691,579 million yen of receivables-loans, and 99,912 million yen of long-term receivables. The balance of Mitsubishi HC Capital Inc. (the "Company") accounted for a significant portion of these receivables subject to the allowance for doubtful receivables. As described in Note 2.t. Summary of Significant Accounting Policies—Significant Accounting Estimates, Allowance for Doubtful Receivables to the consolidated financial statements, in accordance with the internal management policies, the Company classifies these receivables into receivables from the counterparties not in bankruptcy but in financial difficulties ("doubtful claims"), receivables from the counterparties in bankruptcy ("bankrupt claims"), and the other receivables ("general claims") based on the credit information, such as the financial condition and payment history of the counterparties. For the general claims, the allowance for doubtful receivables is provided based on the historical rate of credit losses. For the doubtful claims and bankrupt claims, the allowance for doubtful receivables is provided based on the estimated uncollectible amounts considering the collectability of each receivable.	Our audit procedures related to the appropriateness of the Company's classification of the general claims, doubtful claims, and bankrupt claims in calculating the estimated uncollectible amount included the following, among others: ➢ Examined whether the internal management policies used by management to determine the classification of the general claims, doubtful claims, and bankrupt claims were in accordance with accounting principles generally accepted in Japan. ➢ Evaluated the design and operating effectiveness of controls over the approval for changes in credit rating of the counterparties conducted by the credit management department. ➢ Tested the appropriateness of credit classification of the counterparties performed by management which were selected based on the credit amount and the financial condition by performing the following procedures: ✓ Inquiry of the persons in the credit management department regarding the business condition of the counterparties

Due to the qualitative significance and a variety of the Company's receivable balance, the determination of receivables classification involves management's judgment, and large differences in the allowance ratios among the general claims, doubtful claims and bankrupt claims, the determination of the classification of receivables in calculating the estimated uncollectible amount has a significant impact on the consolidated financial statements. Considering the items above, we determined the appropriateness of the Company's classification of the general claims, doubtful claims, and bankrupt claims in calculating the estimated uncollectible amount as a key audit matter.	✓ Inspection of credit information such as payment history ✓ Inquiry of the persons in the credit management department and inspection of the results of management's assessment for the realizability of the counterparty's business plan, as well as reconciliation of the key assumptions used in the business plan with available external information

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 21, 2023

MITSUBISHI HC CAPITAL Inc.