INTERNET DISCLOSURE ITEMS FOR THE NOTICE OF CONVOCATION OF THE 51st ANNUAL GENERAL MEETING OF SHAREHOLDERS

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(April 1, 2021 to March 31, 2022)

Mitsubishi HC Capital Inc.

Based on laws and regulations, and provisions in Article 15 of the Articles of Incorporation of the Company, the Company provides shareholders with information by posting on the Company's website (https://www.mitsubishi-hc-capital.com/).

Matters concerning stock acquisition rights

(1) Overview of stock acquisition rights, etc. delivered as compensation for execution of duties and held by officers of the Company on the last day of current fiscal year

Name (Date of resolution on issuance)	Number of holders Directors of the Company (Excluding Audit and Supervisory Committee members and Outside Directors)	Number of stock acquisition rights	Type and number of shares to be delivered upon exercising stock acquisition rights	Amount to be paid for stock acquisition rights	Amount of assets to be contributed upon exercising stock acquisition rights	Stock acquisition rights exercise period	Major conditions to exercise stock acquisition rights
9th stock acquisition rights (September 27, 2017)	1	307	Common shares of the Company 30,700 shares	¥566 per share	¥1 per share	October 14, 2017 to October 13, 2047	(*)
10th stock acquisition rights (June 28, 2018)	1	248	Common shares of the Company 24,800 shares	¥590 per share	¥1 per share	July 14, 2018 to July 13, 2048	(*)
11th stock acquisition rights (June 25, 2019)	1	321	Common shares of the Company 32,100 shares	¥513 per share	¥1 per share	July 13, 2019 to July 12, 2049	(*)
12th stock acquisition rights (June 24, 2020)	1	323	Common shares of the Company 32,300 shares	¥424 per share	¥1 per share	July 16, 2020 to July 15, 2050	(*)
13th stock acquisition rights (June 25, 2021)	6	1,800	Common shares of the Company 180,000 shares	¥499 per share	¥1 per share	July 16, 2021 to July 15, 2051	(*)

Notes:
1. In addition to exercising rights within the exercise period, stock acquisition rights holders may execute their stock acquisition rights only for the period until five years elapse from the one-year anniversary of the day following the day of losing their position as either Director or Executive Officer.
2. Other conditions shall be stipulated in the "Agreement for Allotment of Stock Acquisition Rights" entered into between the Company and the stock acquisition rights holders.

(2) Overview of stock acquisition rights, etc. delivered as compensation for execution of duties of the Company Executive Officers, etc. during current fiscal year

Name (Date of resolution on issuance)	Number of recipients Executive Officers of the Company, etc. (Excluding those serving concurrently as Directors)	Number of stock acquisition rights issued	Type and number of shares to be delivered upon exercising stock acquisition rights	Amount to be paid for stock acquisition rights	Amount of assets to be contributed upon exercising stock acquisition rights	Stock acquisition rights exercise period	Major conditions to exercise stock acquisition rights
13th stock acquisition rights (June 25, 2021)	55	6,863	Common shares of the Company 686,300 shares	¥499 per share	¥1 per share	July 16, 2021 to July 15, 2051	(*)

Notes: 1. In addition to exercising rights within the exercise period, stock acquisition rights holders may execute their stock acquisition rights only for the period until five years elapse from the one-year anniversary of the day following the day of losing their position as either Director or Executive Officer.
2. Other conditions shall be stipulated in the “Agreement for Allotment of Stock Acquisition Rights” entered into between the Company and the stock acquisition rights holders.

(3) Other important matters related to stock acquisition rights, etc.

None.

Status of the accounting auditor

(1) Name of Accounting Auditor of the Company
Deloitte Touche Tohmatsu LLC

(2) Remuneration, etc. for Accounting Auditor in current fiscal year

(i) Remuneration, etc. for Accounting Auditor in current fiscal year of the Company	¥296 million
(ii) Total amount of cash and other property benefits to be paid to the Accounting Auditor by the Company and its consolidated subsidiaries.	¥505 million

A total of 21 of the important subsidiaries of the Company receive auditing (limited to the provisions of the Companies Act or the Financial Instruments and Exchange Act, including equivalent laws and regulations in foreign countries) from the certified public accountants or auditing firms (including persons with equivalent certifications in foreign countries) besides the Accounting Auditor of the Company.

(3) Reason that Audit and Supervisory Committee agreed to remuneration for Accounting Auditor
The Audit and Supervisory Committee agrees to this remuneration as it has confirmed that these amounts are determined after sufficient discussion with the Accounting Auditor by using the number of auditing days and of auditors required to perform appropriate and efficient accounting auditing as the basis for calculation.

(4) Compensated non-auditing services by the Accounting Auditor to the Company
The Company entrusted the Accounting Auditor with the preparation of comfort letters and other services, which are services other than those stipulated in Article 2, paragraph (1) of the Certified Public Accountants Act (non-auditing services), and paid compensation thereto.

(5) Policies on decisions of dismissal or non-reappointment of Accounting Auditor
If the Accounting Auditor falls under the conditions prescribed in each item of Article 340, paragraph (1) of the Companies Act, the Audit and Supervisory Committee shall deliberate the dismissal of the Accounting Auditor. If the Audit and Supervisory Committee determines that the Accounting Auditor must be promptly removed, the Audit and Supervisory Committee shall dismiss the Accounting Auditor based on the agreement of all members of the Audit and Supervisory Committee.
In addition to the above, if it is determined that the Accounting Auditor should be changed, such as in cases of obstacles hindering their ability to execute the duties of Accounting Auditor, the Audit and Supervisory Committee shall decide the details of the proposal relating to dismissal or non-reappointment of the Accounting Auditor that will be submitted to the General Meeting of Shareholders.

System for ensuring appropriate business operation and overview of its operating status

The Company has resolved to establish a system for ensuring appropriate business operation of the company (internal control system), as follows, in accordance with Article 399-13, paragraph (1), (b) and (c) of the Companies Act, as well as relevant laws and regulations. The Company became a company with an audit and supervisory committee on April 1, 2021 due to the merger with Hitachi Capital Corporation, and passed a resolution regarding a system for ensuring appropriate business operation. At the Board of Directors meeting held on December 22, 2021, the Company resolved the partial amendments (mainly underlined parts) to the system. An overview of the partial amendments resolved on December 22, 2021 is as follows:

(i) The revised [Internal Audit System] has made clear that the internal audit results are reported not only to Representative Director but also to the Audit and Supervisory Committee.

(ii) The [Risk Management System] has made clear that the Board of Directors supervises appropriate implementation of risk evaluations and decisions, internal control of the entire Group, and operation of the Risk Management System.

Going forward, the Company will review this system as needed due to environmental changes and aim to further improve and enhance it.

Hereinafter, “the Group” refers to the Company, its subsidiaries, and its affiliates. “Group Company” refers to subsidiaries and affiliates of the Company.

Specific uses of the Internal Control System in the Group companies are adjusted and implemented appropriately based on the business, scale, and importance of each Group company.

[System for Group Management]

(1) The Company shall establish the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.

(2) The Company shall establish the management method between the Company and the Group companies, in order to ensure the propriety of the business activities of the Group companies, and establish internal rules to improve the management efficiency and corporate value of the Group as a whole, through the Group carrying out activities with a strong sense of solidarity.

(3) The Company shall receive reports, etc. from the Group companies and conduct management of the Group in line with various internal rules established for the Group management, in adherence to the allocation of duties.

(4) The Company shall establish management and operational methods for internal controls pertaining to the financial reports of the Group, and shall effectively develop and operate the internal controls of the Group as a whole, so that the Company’s financial reports will be prepared appropriately, in accordance with the provisions of the Financial Instruments and Exchange Act, etc.

[System for Compliance with Laws and Regulations]

(1) The Company shall establish the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.

(2) The Company shall establish a system for ensuring that the officers and employees of the Group comply with laws and regulations and the Articles of Incorporation, by establishing and disseminating various internal rules and the Compliance Manual.

(3) The Company shall establish the Compliance Committee, which deals with establishment, maintenance, management, etc., of the Group's compliance system, in addition to the Chief Compliance Officer (Head of Risk Management Division), who is responsible for the compliance of the Group, and the Legal & Compliance Department, which is tasked with enforcing compliance.
The Group Companies shall, if there are any legal risks, etc. intrinsic to the business activities of such company, cooperate with the Company as necessary, and develop an appropriate compliance system.
(4) The Company shall formulate compliance programs (specific plans to ensure that the officers and employees of the Group comply with laws and regulations, etc., including education for the Group's officers and employees) and monitor how the Group's officers and employees are working on those programs.
(5) The Company shall establish the Compliance Hotline System as an internal whistleblowing framework under which the Group's officers, employees, etc., can report to or seek consultations with the Company regarding unfair practices and other conduct.
(6) The Group shall take a resolute stance against anti-social forces, which threaten the peace and stability of civil society, and work to prevent transactions with such forces.
(7) The Company shall be aware of the possibility that funds transacted through the Group may be used for various criminal activities and/or terrorism, and shall work to prevent money laundering.

[Information Disclosure System]
(1) The Group shall establish internal rules for appropriately disclosing information regarding decisions and occurrences concerning the Group in a timely manner, in accordance with accounting standards and other relevant laws and regulations. The Group Companies shall cooperate with the Company as necessary.
(2) The Company shall establish a Disclosure Committee for deliberating on the appropriateness of information disclosures regarding the Group and the effectiveness of internal controls and procedures related to information disclosures, among other matters.

[Internal Audit System]
(1) The Company shall establish internal rules to smoothly and effectively promote audit activities by clarifying procedures for planning, implementing, and reporting internal audits and providing instructions for improvement within the Group.
(2) The Company shall establish the Internal Audit Department as a department in charge of internal audits. The Internal Audit Department shall systematically implement internal audits related to the Group based on an annual audit plan and report the audit results to the Representative Director <u>and the Audit and Supervisory Committee</u>. The Internal Audit Department shall also identify matters discovered and provide guidance on improvement to the parties subject to audit of the Group. Effectiveness of the audit shall be ensured through having the results of improvements reported to the General Manager of the Internal Audit Department of the Company after the audit, and having significant matters and guidance on improvement reported to the Representative Director by the Internal Audit Department.
(3) The General Manager of the Internal Audit Department of the Company shall periodically build collaborative relationships with the Audit and Supervisory Committee members of the Company, Auditors and other relevant persons of the Group Companies, and the Accounting Auditor, such as by exchanging relevant information with them, and shall work to ensure the efficient implementation of the audit.

[Risk Management System]

<Company-level risk management>

(1) The Company shall establish a company-level risk management system in line with the policy that takes risks within the scope of control determined by the Executive Committee and the Board of Directors, etc., after comprehensively grasping various risks in the Group and fully examining diverse risks forecasted in new services. Company-level risk management shall aim to fulfill CSR for stakeholders including customers, shareholders, employees and local communities by ensuring sound management and contributing sustainable improvement of the corporate value.

(2) The Company shall plan to build a basis for the stable recording of returns that commensurate with risk, for achievement of an appropriate capital structure, and appropriate allocation of resources, primarily by identifying and recognizing, evaluating and measuring, controlling, monitoring, and reporting the risks of the Group and by implementing continuous comprehensive risk management.

(3) The Company shall establish individual risk management methods and their implementations, by classifying significant risks into the following categories based on characteristic features of businesses and services of the Group.

i) Credit risks
ii) Asset risks
iii) Investment risks
iv) Market risks
v) Liquidity risks
vi) Country risks
vii) Operational risks

(4) The Company shall implement and monitor risk capital management after comprehensively grasping the risks of the Group that can be evaluated, measured and forecasted in a reasonably quantitative manner and by periodically and as necessary examining the risk capital management.

(5) The Company shall establish internal rules that state, among other matters, the Group's basic policies for risk management and risk management methods, operations, systems, etc. The Group Companies shall also prepare necessary internal rules that state, among other matters, the risk management and operations of the Group Companies.

(6) The Company shall install an officer responsible for company-level risk management and a department that supervises risk management, and periodically and flexibly as necessary hold meetings of the Risk Management Committee concerning integrated risk management of the Group. The Risk Management Committee shall report, besides major risks of businesses of the Group, on risk management matters that are engaged by different committees and through internal audits concerning financial markets, capital fluidities, compliance, systems, IT, etc.

(7) The Company shall demand significant risk-related reports from the Group Companies and compile them into information necessary for company-level risk management before reporting current risk, issues, and if necessary countermeasures, etc. related to the overall management of the Group, to the Board of Directors, which shall supervise their implementations.

<Crisis management>

(1) The Company shall clarify its basic ideas and judging standards in preparation against an event that may lead to huge loss, undermine credibility, or cause substantial delay or long-term interruption in business

of the Group, and establish a system, etc. that ensures continuous management of operations in general and recovery of normal functions to fulfill social responsibility and minimize losses of the Group.

(2) The Company shall, in peacetime, clarify the departments responsible for events in crisis based on the characteristics of their business, prepare systems that deal with different levels of events in crisis, and establish rules, etc. that enable activities to collect information and collaborate in crisis, and allow business continuity and recovery. The Group Companies shall establish internal rules within each company.

[Framework for Ensuring the Efficient Execution of Duties]

(1) The Company shall set management targets for the Group and draw up management plans to manage business based on appropriate methods. The Group Companies shall conduct business management based on appropriate methods, based on the Group's management targets and management plans.

(2) The Company shall establish the Executive Committee, to which decisions, etc., regarding certain matters are delegated by the Board of Directors to the President subject to deliberation at the Executive Committee. The Executive Committee will hold discussions and make decisions on important matters, including the business management of the Group, in addition to conducting preliminary considerations of matters that are to be submitted to the Board of Directors to facilitate decision-making by the Board of Directors. In addition, various committees shall be established as advisory bodies for the Executive Committee.

(3) In order to efficiently conduct the execution of duties based on the decisions of the Board of Directors, the Company shall build an employee rank framework, organizational structure, etc., in accordance with the internal rules, and shall assign the execution of duties. The Group Companies shall provide appropriate cooperation such as reports to and consultations with the Company on necessary matters pursuant to the internal rules.

[Other Matters Related to the Execution of Duties by Directors]

(Framework for ensuring that the execution of duties by Directors complies with laws, regulations, and the Articles of Incorporation, framework for retention and management of information, and framework for reports to the Company of matters related to the execution of duties by subsidiaries' Directors)

(1) The Company shall establish the Executive Committee to deliberate and decide on important management matters. The Audit and Supervisory Committee member(s) selected by the Audit and Supervisory Committee shall attend the meeting, confirm the details of the deliberation, and receive reports.

(2) The Company shall clearly define the authority and responsibilities of the Board of Directors and Directors regarding material decision-making matters including compliance management, as well as matters decided at the discretion of the Board of Directors.

(3) The Board of Directors shall receive and confirm reports of material information related to the execution of duties by Executive Directors, and utilize an internal whistleblowing system.

(4) The Company shall retain and manage material documents and other data related to the execution of duties by Directors pursuant to the provisions of the internal rules.

(5) The Company shall request reports of matters related to the execution of duties by Directors of the Group Companies pursuant to the provisions of the internal rules.

[Framework Concerning Employees Who Assist with Duties of the Audit and Supervisory Committee]

(1) The Company shall establish an Audit and Supervisory Committee Office to assist with duties of the Audit and Supervisory Committee.

(2) The Company shall allocate employees to assist with duties of the Audit and Supervisory Committee to the Audit and Supervisory Committee Office.

(3) The above employees shall not be subject to the directions and instructions of Directors excluding Directors who are Audit and Supervisory Committee members.

(4) When implementing personnel transfers or disciplinary action for the above employees, prior consent of the Audit and Supervisory Committee shall be obtained. When determining performance evaluation, compensation, etc., related to those employees, the prior consent of the Audit and Supervisory Committee member(s) selected by the Audit and Supervisory Committee shall be obtained.

(5) Executive Directors shall cooperate in developing working environments and other relevant conditions so that the above employees can assist with duties of the Audit and Supervisory Committee smoothly.

[Framework for Reporting to the Audit and Supervisory Committee]

(1) Directors, Executive Officers and other relevant executives, and employees must repost the following matters without delay to the Audit and Supervisory Committee or the Audit and Supervisory Committee member(s) selected by the Audit and Supervisory Committee:

1. when they discover any facts that are likely to cause significant damage (including loss of credit) to the Company or when significant damage occurs, they shall immediately report that effect (including matters concerning material lawsuits);
2. the status of whistleblowing through an internal whistleblowing system developed by Directors;
3. the status of management concerning elimination of transactions, and blocking of relationships, with anti-social forces; and
4. other matters that the Audit and Supervisory Committee requests to be reported.

(2) Directors, Auditors, and employees of subsidiaries or persons who receive reports from any of those persons must report to the Audit and Supervisory Committee or the Audit and Supervisory Committee member(s) selected by the Audit and Supervisory Committee without delay, if any of the matters set forth in the preceding paragraph occurs.

(3) The Audit and Supervisory Committee member(s) selected by the Audit and Supervisory Committee shall cooperate closely with the Auditors of Group Companies and other relevant persons, through means such as exchanging information necessary for the execution of duties.

(4) If required by the Audit and Supervisory Committee, Directors, Executive Officers and other relevant executives and employees must attend the Audit and Supervisory Committee meeting and explain matters with necessary materials. In addition, they have a similar duty to explain if required by the Audit and Supervisory Committee member(s) selected by the Audit and Supervisory Committee.

(5) The Company shall not treat the persons who have made the reports under (1) to the Audit and Supervisory Committee or any Audit and Supervisory Committee members disadvantageously, just because they made those reports.

(6) The Company shall not treat the persons who have made reports just because they made those reports using an internal whistleblowing system disadvantageously, and the Company shall specify this in the internal rules and fully inform all employees through internal training and on other occasions.

[Matters Concerning Policies Regarding the Expenses or Liabilities Arising from the Execution of Duties by the Audit and Supervisory Committee Members]

(1) The Audit and Supervisory Committee Office shall promptly process expenses or liabilities when each Audit and Supervisory Committee member makes requests with respect to the prepayment of expenses and other payments, except in cases where such requested expenses or liabilities are deemed to be clearly unnecessary for the execution of the duties of an Audit and Supervisory Committee member.

[Other Frameworks for Ensuring Effective Audits by the Company's Audit and Supervisory Committee Members]

(1) The Audit and Supervisory Committee should create an opportunity to conduct interviews regularly with Directors, Executive Officers and other relevant executives, and employees, concerning the business, and conduct a regular meeting to exchange opinions with the President and the Accounting Auditor.
(2) The Audit and Supervisory Committee may request opinions from lawyers, the Accounting Auditor, etc. as necessary, for cases that require expertise.
(3) The Audit and Supervisory Committee should receive in advance an audit plan from the Accounting Auditor, and regularly receive an audit implementation report; in addition, the Audit and Supervisory Committee should conduct an interview as necessary, regarding the implementation of audit.
(4) The Audit and Supervisory Committee should make efforts to enhance the effectiveness of the audit, by cooperating with the Internal Audit Department and conducting an audit, regularly or in a timely manner, of the offices, etc. including the subsidiary, and by understanding the actual situation.
(5) The employee, who should assist the duties of an Audit and Supervisory Committee member selected by the Audit and Supervisory Committee and the duties of the Audit and Supervisory Committee, may attend the Executive Committee, committees and other important meetings and make necessary statements thereat, and view important documents.
(6) An Audit and Supervisory Committee member selected by the Audit and Supervisory Committee should request that the Company and its subsidiaries report on its business, or investigate the situation of the duties and properties, and the Company and its subsidiaries should cooperate therewith.
(7) The personnel of the General Manager of the Internal Audit Department should be decided upon prior consultation with the Full-time Audit and Supervisory Committee member selected by the Audit and Supervisory Committee.
(8) The Internal Audit Department should make a report to the Audit and Supervisory Committee regarding the internal audit plan, internal audit result, and the amendment and abolition of the important rules related to internal audit, and should respond to requests by the Audit and Supervisory Committee in relation to information provision, investigation, and report.
(9) Directors, Executive Officers and other relevant executives, and employees should provide the necessary cooperation for the execution of duties of the Audit and Supervisory Committee, based on the Audit and Supervisory Committee Regulations, standards for audit, etc. of the Audit and Supervisory Committee, and standards for the Audit and Supervisory Committee to conduct an audit regarding an internal control system.

(Overview of the operating status of the system for ensuring appropriate business operation)

An overview of the operating status for the 51st fiscal year (fiscal year ended March 31, 2022) of the system for ensuring appropriate business operation (internal control system) is as follows.

[System for Group Management]

(1) The Company has established and disclosed the Our Mission that embraces the goals of the Group, and the Our Vision that leads to realizing the Our Mission. The Company has established and disclosed the Mitsubishi HC Capital Group Code of Ethics and Code of Conduct in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.

(2) The Company has established seven Sub-Committees (risk management, information disclosure, compliance, ALM, sustainability, IT/DX, and investment strategy) as consultative bodies under the Executive Committee, and each of the Sub-Committees examine and report controlling matters to the Executive Committee and, significant matters to the Board of Directors. In addition, the Company has established internal rules for the management of the Group Companies and assigned their departments and offices responsible for the internal rules. The Company receives timely reports from such departments and offices and provides necessary advice and instruction.

(3) The Company has documented the content of financial reports of the Group based on the internal rules and evaluated such reports for effectiveness through periodical verifications.

[System for Compliance with Laws and Regulations]

(1) The Company has established and disclosed the “Mitsubishi HC Capital Group Code of Ethics and Code of Conduct.” In addition, the Company has established different types of internal rules and the Compliance Manuals and made them known well to the Group.

(2) The Company has assigned the Chief Compliance Officer (Head of Risk Management Division) as Supervisor and installed the Legal & Compliance Department that will build compliance promotion systems for the Group. The Legal & Compliance Department has formulated compliance programs to work for compliance promotion through monitoring and holding training programs and served as the administrative office to the Compliance Committee (that opened four meetings in the current business year), which is a consultative body under the Executive Committee, and reported legal compliance matters to the Executive Committee and the Board of Directors.

(3) The Company has established the Compliance Hotline System as an internal whistleblowing framework that allows employees to report to or seek consultations with the Company regarding unfair practices, etc., and periodically made the system known well to officers, etc. and firmly protect reporting or consulting persons from disadvantageous treatment.

(4) The Company has formulated treatment rules and accordingly established internal rules and manuals of how to prevent deals with anti-social forces and money-laundering and make officers and employees familiar to those rules and manuals though holding internal trainings, etc.

[Information Disclosure System]

(1) The Company has established and disclosed the “Information Disclosure Policy” as the basic policy of the Group’s information disclosure. In addition, the Company has formulated internal rules to make timely and appropriate disclosure and developed a system to receive timely report from the Group. The information disclosure of the Group is reported to the Executive Committee after its appropriateness and procedural

effectiveness is examined at the Information Disclosure Sub-Committee (which held four meetings in the current business year).

[Internal Audit System]

(1) The Company has enacted internal rules to clarify procedures related to planning, implementing, and reporting internal audits and providing instructions for improvement within the Group and familiarized these internal rules in the Group.

(2) The Company has established the Internal Audit Department as a department responsible for internal audits. The Internal Audit Department has formulated annual audit plans, systematically implemented internal audits related to the Group, and reported the audit results to the Representative Director and the Audit and Supervisory Committee. In addition, results of improvement in findings in audits have been reported to General Manager of the Internal Audit Department and audit effectiveness has been ensured through PDCA.

(3) General Manager of the Internal Audit Department of the Company has exchanged relevant information in a periodical and timely manner with the Audit and Supervisory Committee members of the Company, Auditors and other relevant persons of the Group Companies and the Accounting Auditor, and worked for efficient implementation of audits.

[Risk Management System]

<Company-level risk management>

(1) The Company has established internal rules that stipulate matters concerning the Group's basic policies for risk management, risk management methods, operations, the system, etc. and familiarized such matters in the Group.

(2) The Company has established the Risk Management Department that integrates the Group's risk management. The Risk Management Department has comprehensively grasped the Group's risks, monitored its risk management operation statuses, worked as the administrative office for the Risk Management Committee (holding four meetings in the current business year), which is a consultative body to the Executive Committee, and reported integrated risks and individual risk statuses to the Executive Committee and the Board of Directors.

<Crisis management>

(1) The Company has installed the Chief Crisis Management Officer (CCMO) who is responsible for supervising the entire Group in building and operating the crisis management system. In addition, the Company has specified crisis events subject to crisis management, established internal rules that clarify basic thoughts, judging standards, and handlings of different levels of crises, familiarized those matters in the Group, and developed a system that receives reports from the Group, to perform crisis management in a Group-wide manner. Moreover, the Company has shaped the position of the countermeasure headquarters that deals with crisis events, periodically held disaster control trainings, and worked for enhancing effectiveness of the trainings by resolving problems identified through such trainings.

[Framework for Ensuring the Efficient Execution of Duties]

(1) The Company has established a smooth decision-making system, as a company with the Audit and Supervisory Committee, by delegating President to decide execution of significant operations subject to deliberation at the Board of Directors' and the Executive Committee's examinations.

(2) The Company holds, in principle, an Executive Committee meeting every week, and examines agendas scheduled to be examined at Board of Directors' meetings that are useful to the Board of Directors' decision-makings, besides consulting and deciding on significant matters including the Group's business management. Furthermore, the Company has established different types of sub-committees as consultative bodies under the Executive Committee, and introduced a system that enables to report significant agendas, among those examined at such sub-committees, to the Executive Committee and the Board of Directors, in order to execute appropriate business management.
(3) The Company has established internal rules that stipulate an employee rank framework, organizational structure, and allocation of business operations to perform efficient executions of duties, and performed such execution of duties based on the allocation of business operations.

[Other Matters Related to the Execution of Duties by Directors]
(Framework for ensuring that the execution of duties by Directors complies with laws, regulations, and the Articles of Incorporation, framework for retention and management of information, and framework for reports to the Company of matters related to the execution of duties by subsidiaries' Directors)
(1) The Audit and Supervisory Committee members that are elected by the Audit and Supervisory Committee have attended important meetings of the Executive Committee, etc. to confirm what are deliberated at such meetings.
(2) The Company has clarified the powers and responsibilities of the Board of Directors and Directors in the internal rules and disseminated them in the Group, and the Board of Directors has received reports on significant information related to the execution of duties in the Group.
(3) The Company shall retain and manage material documents and other data related to the execution of duties by Directors pursuant to the provisions of the internal rules.

[Framework Concerning Employees Who Assist with Duties of the Audit and Supervisory Committee]
(1) The Company has installed the Audit and Supervisory Committee as the organization that effectively performs the duties of the Committee and assigned dedicated employees. Personnel affairs, etc. of such dedicated employees are subject to consent by the Audit and Supervisory Committee, reflecting the independence of the Audit and Supervisory Committee.

[Framework for Reporting to the Audit and Supervisory Committee]
(1) The Company has stipulated in its internal control system the significant matters that shall be reported to the Audit and Supervisory Committee or to its members elected by the Audit and Supervisory Committee and familiarized said matters within the Group. Situations of finance, risk management and internal audits in the Group, and situations of compliance including the operation of the internal whistleblowing system are reported to the Audit and Supervisory Committee.
(2) The scheme of the internal whistleblowing system is made periodically familiarized to officers, etc. and reporting persons are firmly protected from disadvantageous treatment. In addition, the Company has stipulated that the full-time Audit and Supervisory Committee members are one of the internal whistleblowing system windows.
(3) For efficient auditing, the Audit and Supervisory Committee members who are elected by the Audit and Supervisory Committee periodically exchange information necessary for the execution of their duties with the departments concerning internal control of the Company (Risk Management Department, Legal &

Compliance Department, Treasury Department, Accounting Department, etc.) and Audit & Supervisory Board Members, etc. of the Group companies.

[Matters Concerning Policies Regarding the Expenses or Liabilities Arising from the Execution of Duties by the Audit and Supervisory Committee Members]

(1) The Company has stipulated in the audit standards of the Audit and Supervisory Committee that Audit and Supervisory Committee members may demand from the Company the expenses and/or liabilities arising during execution of their duties and the Company has paid accordingly.

[Other Frameworks for Ensuring Effective Audits by the Company's Audit and Supervisory Committee Members]

(1) The Audit and Supervisory Committee has made periodical exchanges of opinions with the President, the Internal Audit Department and the Accounting Auditor, respectively. The Committee has performed periodical or timely collaborations with the Internal Audit Department and the Accounting Auditor, in addition to receiving audit plans and results of audits from such bodies, and worked for improvement in the effectiveness of audit by collecting information from, including investigation into, offices and subsidiaries, etc.

(2) The Audit and Supervisory Committee members that are elected by the Audit and Supervisory Committee have attended significant meetings including the Executive Committee, etc. to make necessary remarks and view important documents.

(3) Personnel affairs of the General Manager of the Internal Audit Department shall be decided upon prior consultation with the Full-time Audit and Supervisory Committee members selected by the Audit and Supervisory Committee.

(4) The audit standards of the Audit and Supervisory Committee has a stipulation that when the Audit and Supervisory Committee receives advice from outside experts including lawyers, it may demand the expense from the Company.

Consolidated statement of changes in equity

(April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period as of April 1, 2021	33,196	167,280	571,459	(1,528)	770,407
Cumulative amount effected from changes in the accounting policies			(3,123)		(3,123)
Balance at beginning of the current period reflecting changes in the accounting policies	33,196	167,280	568,335	(1,528)	767,283
Changes during fiscal year					
Increase due to the merger		381,480		(18,022)	363,457
Dividends from surplus			(29,693)		(29,693)
Net income attributable to owners of the parent			99,401		99,401
Change in ownership interest of parent due to transactions with non-controlling interests		(113)			(113)
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during fiscal year	-	381,306	69,707	(17,840)	433,172
Balance at end of period as of March 31, 2022	33,196	548,586	638,043	(19,369)	1,200,456

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period as of April 1, 2021	30,678	(15,519)	22,278	(925)	36,512	1,552	12,760	821,233
Cumulative amount effected from changes in the accounting policies							(203)	(3,327)
Balance at beginning of the current period reflecting changes in the accounting policies	30,678	(15,519)	22,278	(925)	36,512	1,552	12,557	817,906
Changes during fiscal year								
Increase due to the merger								363,457
Dividends from surplus								(29,693)
Net income attributable to owners of the parent								99,401
Change in ownership interest of parent due to transactions with non-controlling interests								(113)
Purchase of treasury shares								(3)
Disposal of treasury shares								123
Net changes in items other than shareholders' equity	(15,725)	16,979	70,497	1,049	72,800	308	9,278	82,387
Total changes during fiscal year	(15,725)	16,979	70,497	1,049	72,800	308	9,278	515,560
Balance at end of period as of March 31, 2022	14,953	1,460	92,776	123	109,313	1,861	21,835	1,333,467

Notes on consolidated financial statements

<Notes to basis of preparing consolidated financial statements>

1. Matters related to scope of consolidation

(1) Number of consolidated subsidiaries: 266

The names of the major consolidated subsidiaries are listed in Business Report 1. (6) Status of major subsidiaries.

Mitsubishi HC Capital UK PLC and other 53 companies are included in the scope of consolidation due to the merger with Hitachi Capital Corporation. In addition, Japan Infrastructure Initiative Company Limited, which was an equity method affiliated company, is removed from the scope of equity method application but included in the scope of consolidation.

The scope of consolidation for the current fiscal year includes Mitsubishi HC Finance America LLC and six other companies due to their establishments, Shirakanezaka Solar Power, Inc. and two other companies due to their increased significance, and CAI International, Inc. and 28 other companies due to the acquisition of equity, etc. in their companies.

Regional Healthcare Investment Limited Partnership and 13 other companies due to the completion of liquidation and GK KAIHATSU 8 and one other company due to the partial assignment of their subscriber’s share on the capital are excluded from the scope of consolidation.

(2) Names of major non-consolidated subsidiaries

There are no major non-consolidated subsidiaries which should be disclosed.

Reason for exclusion from scope of consolidation

Of the non-consolidated subsidiaries, 137 companies are proprietors conducting leasing businesses primarily through silent partnerships. Their assets, liabilities, and gains/losses are not attributable to pertinent subsidiaries or have barely any transactions with the subsidiary. Therefore, they are excluded from the scope of consolidation.

Of the non-consolidated subsidiaries, 64 companies are small businesses. Their total assets, revenues, net income or loss (amount corresponding to equity), retained earnings (amount corresponding to equity), etc. do not significantly impact the consolidated balance sheet nor consolidated statement of income. Therefore, they are excluded from the scope of consolidation.

2. Matters related to the application of the equity method

(1) Number of non-consolidated subsidiaries applying equity method: 1

There are no major non-consolidated subsidiaries which should be disclosed.

(2) Number of affiliates applying equity method: 73

Names of major equity method affiliates

Mitsubishi Electric Credit Corporation

Mitsubishi Auto Leasing Holdings Corporation

Chubu Electric Power & MHC Germany Transmission GmbH

Hitachi Auto Service Co., Ltd. and 11 other companies are included in equity method affiliated companies due to the merger of Hitachi Capital Corporation. In addition, Japan Infrastructure Initiative Company Limited, which was an equity method affiliated company, is removed from the scope of equity method application but included in the scope of consolidation.
Godo Kaisha RenetS and four other companies due to their establishments, Minokamo Biomass Plant LLC due to the increased significance, and LOGI FLAG DEVELOPMENT Co., Ltd. and six other companies due to the acquisition of equity, etc. are included in equity method affiliated companies in the current fiscal year.
GK KAIHATSU 8 and one other company due to the partial assignments of their subscriber's share on the capital in the current fiscal year are excluded from consolidation but included in the scope of equity method affiliated companies.
Pool 40 LLC and one other company due to the completion of their liquidation and Kochi Solar LLC and one other company due to the assignment of their subscriber's share on the capital, etc. are excluded from the scope of equity method application since the current fiscal year.
Mobility Mixx B. V. due to the Company's additional acquisition of equity is removed from the scope of equity method application but included in the scope of consolidation since the current fiscal year.

(3) Names of major companies, etc. among non-consolidated subsidiaries or affiliates not applying equity method

There are no major non-consolidated subsidiaries or affiliates which should be disclosed.

Reasons not to apply equity method

Of the non-consolidated subsidiaries, 137 companies are proprietors conducting leasing businesses primarily through silent partnerships. Their gains/losses are not attributable to pertinent subsidiaries or have barely any transactions with the subsidiary. Therefore, they are excluded from the scope of equity method application.
Of the non-consolidated subsidiaries and the affiliates, 63 non-consolidated subsidiaries and 29 affiliates have insignificant impact on the consolidated balance sheet and consolidated statement of income from a perspective of net income or loss (amount corresponding to equity share), retained earnings (amount corresponding to equity share), etc., even when excluded from equity method. As they are also not important overall, they are excluded from the scope of equity method application.

3. Matters related to fiscal year of consolidated subsidiaries

(1) Consolidated subsidiaries with balance sheet dates that differ from consolidated balance sheet date

April 30:	3
May 31:	1
June 30:	4
July 31:	2
August 31:	2
September 30:	3
October 31:	14
November 30:	4
December 31:	139

January 31: 22
February 28 (or 29): 1

(2) Consolidated subsidiaries with balance sheet dates of the ends of April, July, and October are consolidated in financial statements based on provisional closings conducted as of the end of January.
Consolidated subsidiaries with balance sheet dates of the ends of May, August, and November are consolidated in financial statements based on provisional closings conducted as of the end of February.
Consolidated subsidiaries with balance sheet dates of the ends of June and September are consolidated in financial statements based on provisional closings conducted as of the end of December.
Further, for 12 of the consolidated subsidiaries with balance sheet dates of the end of December, provisional closings are calculated based on the results at the consolidated balance sheet date.
Other consolidated subsidiaries use the financial statements as of their respective balance sheet dates.
Also, important transactions that occur between the consolidated balance sheet date and the above balance sheet dates will be adjusted as needed in consolidation.

4. Matters related to accounting policies

(1) Valuation standards and methods for important assets

(i) Securities

Of available-for-sale securities, bonds and other securities held for earning financial revenues for operating purposes (operational investment securities)

- Other than shares that have no market value
Fair value method
(Valuation differences are included directly in net assets and costs of securities sold are determined by the moving average method.)
- Shares with no market value, etc.
Cost method based mainly on the moving average method
For investments in limited liability investment partnerships and similar entities (deemed to be securities based on Article 2, paragraph (2) of the Financial Instruments and Exchange Act), these are stated by the net amount corresponding to the Company's equity share based on the most recent obtainable financial statements depending on the reporting date established by the partnership agreement.
In addition, investments in partnerships, etc. invested by certain consolidated subsidiaries outside Japan are recorded on the valuation of the market value that each of the invested companies recognized and accordingly the net amounts equivalent to the equity interests are included.

Available-for-sale securities not included above

- Other than shares that have no market value
Fair value method
(Valuation differences are included directly in net assets and costs of securities sold are determined by the moving average method.)
- Shares with no market value, etc.

Cost method based on the moving average method

For investments in limited liability investment partnerships (deemed to be securities based on Article 2, paragraph (2) of the Financial Instruments and Exchange Act), these are stated by the net amount corresponding to the Company's equity share based on the most recent obtainable financial statements depending on the reporting date established by the partnership agreement.

(ii) Derivatives

Fair value method

(iii) Inventories

Cost method based on the specific-cost method

(Balance sheet values are calculated using the method of writing down the book value based on declining profitability)

(2) Methods of depreciation and amortization of significant depreciable and amortizable assets

(i) Leased assets

Depreciation is calculated with the lease period or estimated useful lives of assets considered as the depreciation years, and using the straight-line method based on the standard that the estimated disposal value of a leased asset at the fulfillment of the period to be the residual value.

(ii) Other operating assets

Depreciation is calculated with the estimated useful lives of assets considered as the depreciation years, and using the straight-line method.

(iii) Own-used assets

Depreciation is calculated by primarily adopting the declining balance method.

However, for buildings (excluding equipment attached to buildings) acquired on or after April 1, 2000, equipment attached to buildings and structures acquired on or after April 1, 2016, use right assets of the consolidated subsidiaries outside Japan that adopt the International Financial Reporting Standards or the U.S. accounting standards, and other certain own-used assets, depreciation is calculated using the straight-line method.

(iv) Other intangible assets (excluding goodwill)

For software (used internally), amortization is calculated using the straight-line method based on expected usable period (five years) in the Company.

For other amortizable assets, amortization is calculated using straight-line method based on expected effective period.

(3) Accounting policy for significant allowances and provisions

(i) Allowance for doubtful accounts

To reserve for loss on doubtful accounts, estimated uncollectible amounts are booked based on historical default rates for general receivables, or based on individual consideration of collectability for doubtful receivables and distressed receivables (receivables from legally or substantially bankrupt obligors).

Also, the Company applies the "Treatment on the calculation of default estimates" established in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial

Instruments in Lease Industry" (The Japanese Institute of Certified Public Accountants Industry Committee Practical Guidance No. 19, November 14, 2000).
With respect to the amount of distressed receivables, the amount expected to be recoverable is deducted from the receivable amount, and the remainder, which is treated as the estimated amount of uncollectible receivables, is directly deducted from the receivable amount. This amount is ¥9,441 million.
In addition, the consolidated subsidiaries adopting the International Financial Reporting Standards outside Japan post allowance for doubtful accounts after measuring their projected credit loss based on the loan loss provision ratio that is adjusted after past bad debt records and current and future economic situations, etc. are counted.

(ii) Provision for bonuses
The Company and certain consolidated subsidiaries book the amount expected to be paid in the following fiscal year that are attributable to the current fiscal year in order to issue payment for bonuses to employees.

(iii) Provision for bonuses for directors (and other officers)
The Company and certain consolidated subsidiaries book the amount expected to be paid in the following fiscal year that are attributable to the current fiscal year in order to issue payment for bonuses to officers and executive officers.

(iv) Provision for retirement benefits for directors (and other officers)
Certain domestic consolidated subsidiaries book the full amount to be paid at the end of the fiscal year based on the internal payment rules in order to issue payment for retirement benefits of officers and executive officers.

(4) Method of accounting for retirement benefits

(i) Method of attributing estimated retirement benefits for periods of service
In the calculation of retirement benefit liabilities, the method of attributing the estimated amount of retirement benefits to the period until the end of the current fiscal year is on the benefit formula basis.

(ii) Amortization of actuarial gains and losses and past service cost
Past service cost is amortized using the straight-line method for the average remaining service years of employees (6 to 21 years) at the time of occurrence.
Actuarial gains and losses are amortized with the pro-rata amount calculated using the straight-line method for a certain number of years (10 to 20 years) within the scope of the average remaining service years of employees when incurred in each fiscal year from the respective following fiscal years.

(5) Accounting standards for important income and expenses

(i) Accounting standards of revenues and cost of revenues related to finance lease transactions
The Company books the revenues and cost of revenues corresponding to the elapsed period based on a standard of a monthly lease fee to be received under the lease agreement for the duration of the lease agreement period.

(ii) Accounting standards of revenues related to operating lease transactions
The Company books lease fees corresponding to the elapsed period based on a standard of a

monthly lease fee to be received under the lease agreement for the duration of the lease agreement period.

The Company and consolidated subsidiaries inside Japan book disposal amount and cost related to disposal of leasing assets as revenues and cost of revenues.

(iii) Accounting policy for revenue from contracts with customers

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other relevant ASBJ regulations and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The description of major performance obligations of major businesses and the times recognizing revenues are stated as follows:

(Sales from maintenance contracts)

Along with concluding lease contracts, maintenance and other services are offered to customers. At the time when service is delivered, the performance obligation is judged as met and revenue is recognized.

(Sales from selling merchandise, sales from disposal of lease properties)

Sales from selling merchandise and disposal of lease properties on maturities of lease contracts by consolidated subsidiaries outside Japan adopting the International Financial Reporting Standards or the U.S. accounting standards are recognized as revenue when the delivery of said properties to customers is completed and, therefore, the fulfillment obligation is considered as met.

(Electricity sales)

Electricity sales to customers for the accounting year are calculated and recorded as revenue in accordance with electricity supply volumes to the customers.

(6) Translation criteria of major assets or liabilities denominated in foreign currencies into Japanese yen

Monetary claims and liabilities denominated in foreign currencies are translated into Japanese yen by using the spot exchange rates on the consolidated balance sheet date, and the difference arising from such translation is stated as gain or loss. Monetary claims and liabilities denominated in foreign currencies subject to allocation treatment, such as currency swaps, etc., are translated into a currency swap in Japanese yen.

Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen by using the spot exchange rates on their respective balance sheet dates. Income and expenses are translated into Japanese yen using the average exchange rates during the period. The difference arising from such translation is included in foreign currency translation adjustment and non-controlling interests in the equity section.

(7) Important hedge accounting methods

(i) Hedge accounting methods

The Company applies the deferred hedge method.

The Company applies allocation treatment for currency swaps that meet to requirements of allocation treatment, and the Company applies special treatment for interest rate swaps that meet requirements of special treatment.

(ii) Hedge instruments and hedged items

Hedge instruments ... Interest rate swap instruments, foreign currency interest rate swap instruments, forward exchange contracts, investment in equity for overseas consolidated subsidiaries and overseas affiliates, and other liabilities denominated in foreign currencies related to available-for-sale securities denominated in foreign currencies

Hedged items ... Borrowings, bonds payable, accounts payable - trade, time deposits denominated in foreign currencies, lease receivables, operating loans receivables, commercial papers, current maturities of loans from the securitizations of the minimum future rentals on lease contracts, investment in equity for overseas consolidated subsidiaries and overseas affiliates, and available-for-sale securities denominated in foreign currencies

(iii) Hedge policies and methods to evaluate hedge effectiveness

In order to hedge interest rate and foreign currency rate fluctuation risks, and maintain a stable income, the Company performs derivative transactions based on internal rules.

Regarding interest rate fluctuation risks, lease fee receivables and installment receivables, etc., the primary operating assets of the Company, adopt a long-term fixed interest rate. On the other hand, because there are variable interest rates within the financing through bank borrowings, etc., the Company manages and performs comprehensive hedges of liabilities so that the expected principal of derivative transactions that are hedging instruments is within the scope of hedged liabilities based on the comprehensive management of assets and liabilities (ALM). Furthermore, the Company hedges by interest rate swaps for the purpose of locking in profit on individual projects.

Regarding foreign currency exchange rate fluctuation risks, the Company hedges through currency swaps, forward exchange contracts, and liabilities denominated in foreign currencies for individual assets and liabilities denominated in foreign currencies, investment in equity for overseas consolidated subsidiaries and overseas affiliates, and available-for-sale securities denominated in foreign currencies.

The Company evaluates the effectiveness of hedges by verifying whether the interest rate of hedged items and the foreign currency exchange rate fluctuation risk are diminished. However, interest rate swaps performed by special treatment are not included in the evaluation of effectiveness.

In this connection, transaction status is reported quarterly to the President.

For derivative transactions of consolidated subsidiaries, the status of hedge with derivative transactions and applicable claims and liabilities, contract participants, transaction amount, remaining period, and transaction market value are reported quarterly during the transaction period to the Company, by applying internal rules of the Company mutatis mutandis.

(Hedge related items applying the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”)

Of the above-mentioned hedge related items, as stipulated in the following practical solution, special treatment is applied to all of the hedge related items that are covered in the scope of application of “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ, Practical Solution No. 40, March 17, 2022).

Description of hedge related items to which said practical solution is applied is as follows:

Method of hedge accounting ... Special treatment of deferred hedge processing or interest rate swaps

Hedge instruments ... Interest rate swaps

Hedge items ... Borrowings

Type of hedge transactions ... What makes cash flow fixed

(8) Method and period of amortization of goodwill

Goodwill is amortized in equal amounts over 20 years.

(9) Other significant matters that are the basis for preparing the consolidated financial statements

Accounting method of bonds and other securities held for earning financial revenues for operating purposes (operational investment securities)

Those bonds and other securities are booked including ¥154,456 million in investment securities and ¥1,413 million in securities.

Further, these financial revenues (interest income, redemption difference, and partnership gains/loss corresponding to equity share) is booked under revenues.

(10) Accounting standards for consolidated subsidiaries outside Japan

In the event that the financial statements of a consolidated subsidiary of the Company locating outside Japan is prepared pursuant to the International Financial Reporting Standards or the U.S. accounting standards, those financial statements are used to prepare consolidated settlement of accounts.

In the event that the financial statements of a consolidated subsidiary of the Company locating outside Japan is prepared pursuant to the generally accepted accounting standards in its residing country other than the International Financial Reporting Standards or the U.S. accounting standards, said financial statements are prepared primarily pursuant to the International Financial Reporting Standards.

<Notes on changes in accounting policies>

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph (84) of the Accounting Standard for Revenue Recognition. Accordingly, revenues and cost of revenues for the current consolidated accounting year decreased by ¥9,400 million respectively. However, the impact on net income before income taxes is minor. Furthermore, the impact on the beginning retained earnings balance in the consolidated statement of changes in equity is minor.

Application of Accounting Standard for Market Value Calculation, Etc.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. has been applied from the beginning of the current fiscal year. The Company has accordingly decided to apply the new accounting policies stated in the Accounting Standard for Fair Value Measurement, etc. over future fiscal years in accordance with the transitional treatment provided for in paragraph (19) of the Accounting Standard for Fair Value Measurement and in paragraph (44-2) of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019). The new application has no impact on the consolidated financial statements. In addition, in "Notes on financial instruments," the Company has decided to make notes on items, etc. related to breakdown, etc. by market values of financial instruments.

Changes in Accounting Policies due to the Merger of Hitachi Capital Corporation

The Company merged with Hitachi Capital Corporation on the merger conclusion day of April 1, 2021. Accordingly, from the current fiscal year, the Company and certain consolidated subsidiaries of the Company have changed accounting policies on the items stated below.

In this connection, retrospective application of changes in accounting policies is adopted and cumulative effect is reflected on the book value of net assets of the beginning of the current fiscal year.

<Method for How to Post Re-leasing Revenues in Lease Transactions>

In the past, the Company booked revenues from re-lease charges on the beginning day of re-lease charges (normally, for one year) but changed to monthly charges by prorating one-year charges onto monthly charges for the re-leasing periods.

After the merger, outstanding assets of re-leasing contracts have increased; many of the typical re-leasing contracts have received re-leasing charges in a lump at the beginning of the re-leasing contracts; when such contracts are cancelled, many of them do not need to refund for the unexpired period; accordingly, the Company has posted re-leasing charges as revenues in a lump at the beginning of re-leasing contracts. However, for re-leasing contracts that are transactions of asset leases, the Company judges that the change into the method for prorating re-leasing charges onto the remaining months more appropriately reflects revenues from re-leasing contracts into consolidated financial statements.

Following the change, the beginning retained earnings balance decreased by ¥6,926 million in the consolidated statement of changes in equity to which retrospective application of the changes was applied.

<Method for Posting Lease Transactions as Finance>

In the past, the Company processed certain lease contracts as virtually financial transactions based on their transaction form, processed such contracts as operating loans receivables in the consolidated balance sheet and posted amount equivalent to interest receivables as lease sales in the consolidated statement of income. However, to meet the contract form, the Company has changed the processing of those items to posting as lease loans receivables and investments in leases in the consolidated balance sheet, and lease sales and lease costs in the consolidated statement of income.

The Company so far posted and presented lease transactions as virtually financial transactions by posting lease properties as collateral based on the intent of the lease parties and the content of the lease properties, etc. in accordance with the processing of loans receivables. However, after the end of lease transactions, returns of the lease properties to the Company have been on the increase, indicating more obvious nature of finance lease. Furthermore, after the merger, outstanding amount of assets from the same kind of lease transactions has increased, which is also an additional reason for the change.

Following the change, the beginning retained earnings balance increased by ¥1,732 million in the consolidated statement of changes in equity to which retrospective application of the changes was applied.

<Method for Posting Deferred Assets (Bond Issuance Cost)>

The Company has changed the processing of bond issuance costs into interest rule, namely to the method for amortizing such costs over the period of redemption, unlike in the past where the Company processed bond issuance costs as full expenses at the time of their issuance for the Company and its subsidiaries in Japan. This change has been made because bond issuance costs are fundraising costs like bond interest payables; the international accounting standard for posting expenses stipulates that cost amortization should follow interest rule; bond issuance costs for the subsidiaries of the Company outside Japan have been posted in interest rule. The change will more appropriately reflect the Group’s fundraising activities into the consolidated financial statements.

Following the change, the beginning retained earnings balance increased by ¥2,070 million in the consolidated statement of changes in equity to which retrospective application of the changes was applied.

<Notes on accounting estimates>

(Amounts of posting assets and liabilities underwritten following the business combinations)

The Company had concluded business integration with Hitachi Capital Corporation on April 1, 2021. Following the business integration, the amounts of posting the assets and liabilities underwritten on the day of the business combination reflect distributed acquisition costs based on the market value on the day of the business combination. The Company used valuation models according to the characteristics of the business and calculated market values based on future cash flows to be generated from assets and liabilities, discount rates, and estimated replacement costs.

The amounts of the assets accepted and the liabilities underwritten on the day of the business combination are as stated in <Other notes>, Notes on business combinations in the notes on consolidated financial statements, and the amounts of major assets and liabilities and the valuation models are as follows:

	Amount posted (Millions of yen)	Major valuation model
Lease receivables and investments in leases	1,510,238	Discounted cash flow method
Operating loans receivables	782,794	Discounted cash flow method
Leased assets (property, plant and equipment)	536,791	Replacement costs method
Other operating assets (property, plant and equipment)	83,324	Replacement costs method
Intangible assets (valuation amounts of power supply and reception contracts in electricity selling business)	25,494	Discounted cash flow method
Bonds (including those redeemable within one year)	996,245	Discounted cash flow method
Long-term borrowings (including current portion of long-term borrowings)	1,065,564	Discounted cash flow method

Impact of COVID-19

The global spread of COVID-19 impacted the business activities of the Group. The accounting estimates in the current fiscal year take into consideration the future impact of COVID-19 on businesses.

Impairment of leased assets

If there are signs of impairment for leased assets, the Company determines whether to recognize impairment loss. If impairment loss is recognized, the Company depreciates the book value of the leased asset to the recoverable value and books the depreciation amount as an impairment loss.

Future cash flow used in the recoverable value is calculated by an estimate based on future lease fees, lease period, and value remaining upon fulfillment. The Company determines this estimate to be rational. However, if there are changes to the conditions precedent or the business environment, there may be significant impact on the consolidated financial statements from the next fiscal year on.

For the aircraft held by JSA International Holdings, L.P. group, which leases aircraft in the U.S. (¥926,454 million in leased assets at the end of the current fiscal year), the Company regularly confirms the future cash flow and determines whether to recognize impairment losses according to the U.S. accounting standards. In this determination, the Company compared book value and future cash flow before discount. For the assets whose future cash flow before discount is less than the book value, the Company booked the amount by which the book value exceeds the fair value as an impairment loss.

Future cash flow comprises current lease fees, future lease fees, value remaining upon fulfillment, disposal costs, lease period, off-lease period, and renewal period. Future lease fees and the value remaining upon fulfillment are determined by an appraisal company. Disposal cost, lease period, off-lease period, and renewal period are calculated by estimating them based on past results, etc.

The Company booked ¥2,673 million in impairment losses for aircraft in cost of revenues in the consolidated statement of income for the current fiscal year.

Valuation of goodwill

If there are signs of impairment for goodwill, the Company determines whether to recognize impairment loss. If impairment loss is recognized, the Company depreciates the book value of goodwill to the recoverable value and books the depreciation amount as an impairment loss.

Future cash flow across remaining amortization period of goodwill used in the recoverable value is calculated by an estimate based on the business plan, etc. prepared by considering the past business results and future business environment of the relevant company. The Company determines this estimate to be rational. However, if there are changes to the conditions precedent or the business environment, there may be significant impact on the consolidated financial statements from the next fiscal year on.

At the end of the current fiscal year, the Company booked ¥90,326 million as goodwill.

Allowance for doubtful accounts

Estimated uncollectible amounts are booked as allowance for doubtful accounts based on historical default rates for normal receivables, as well as considering the collectability of highly doubtful receivables and distressed receivables (receivables from legally or substantially bankrupt obligors). The estimated unrecoverable amount is calculated based on the financial status of the business partners and the estimated recoverable value of collateral.

In addition, based on the projected credit loss model, the consolidated subsidiaries adopting the International Financial Reporting Standards located in outside Japan post allowance for doubtful accounts after measuring their projected credit loss based on the loan loss provision ratio that is adjusted after past bad debt records and current and future economic situations, etc. are counted.

The Company determines this estimate to be rational. However, if there are changes to the conditions precedent or the business environment, there may be significant impact on the consolidated financial statements from the next fiscal year on.

At the end of the current fiscal year, the Company booked ¥99,448 million as allowance for doubtful accounts.

<Notes on consolidated balance sheet>

1. Displayed figures are rounded down to the nearest million yen.
2. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(Millions of yen)
Cash and deposits	18,751
Installment receivables	10,344
Lease receivables and investments in leases	539,490
Operating loans receivables	144,831
Lease and other receivables	10
Merchandise	11,088
Other current assets	22,307
Leased assets	943,312
Other operating assets	96,628
Other intangible assets	2,725
Investment securities	35,410
Operating lease contract receivables	5,130
Total	1,830,031

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Short-term borrowings	202
Long-term borrowings (including current portion of long-term borrowings)	746,611
Bonds payable	11,009
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (including long-term)	602,807
Other non-current liabilities	1,485
Total	1,362,115

Note: Of the assets pledged as collateral, ¥9,365 million in operating loans receivables, and ¥14,181 million in investment securities have revolving pledge and mortgages as the collateral held by the investees for their borrowings from financial institutions.

3. Total depreciation of property, plant and equipment

	(Millions of yen)
Leased assets	832,153
Other operating assets	30,811
Own-used assets	9,975
Total	872,940

(Note) The total depreciation amount above includes total accumulated impairment loss.

4. Guarantee obligations, etc.

(1) Guarantee obligations, etc. in operations (including commitment to guarantee)

	(Millions of yen)
Operating guarantees amount	36,350

(2) Guarantee obligations, etc. for bank borrowings (including commitment to guarantee)

	(Millions of yen)
MHC Capital (TWN) Ltd.	164
Other	26
Subtotal	191
Total	36,542

5. The outstanding amounts of receivables generating from contracts with customers, contract assets, and contract liabilities are as follows:

	(Millions of yen)
Receivables from contracts with customers (Note 1)	10,739
Contract assets	–
Contract liabilities (Note 2)	5,594

Notes: 1. Included mainly in lease and other receivables and other current assets in the consolidated balance sheet.
2. Included in other current liabilities in the consolidated balance sheet.

<Notes on consolidated statement of income>

1. Displayed figures are rounded down to the nearest million yen.
2. Impairment loss

The following assets are booked as impairment loss.

Use	Type	Impairment loss (Millions of yen)
Leased assets	Transportation equipment (aircraft)	2,673
Leased assets	Transportation equipment (aircraft engines)	876

For certain consolidated subsidiaries of the Company, the book value of leased assets that declined in profitability due to lower future cash flow expected to occur was depreciated to the recoverable value and the depreciation amount was booked as an impairment loss.

The recoverable values of said assets are calculated mainly based on their utility value and the future cash flow is discounted mainly by 3.7%.

<Notes on consolidated statement of changes in equity>

1. Displayed figures are rounded down to the nearest million yen.
2. Matters related to type and total number of issued shares (Thousands of shares)

	Number of shares at beginning of current fiscal year	Number of shares increased during current fiscal year	Number of shares decreased during current fiscal year	Number of shares at end of current fiscal year
Issued shares				
Common shares	895,834	571,078	–	1,466,912
Total	895,834	571,078	–	1,466,912

Note: An increase of 571,078 thousand in the number of shares issued and outstanding is attributed to the merger with Hitachi Capital Corporation concluded on April 1, 2021 (merger ratio is 1:5.1).

3. Matters related to dividends

(1) Dividend payment amount

(i) The following was resolved at the Board of Directors meeting held on May 17, 2021.

- Matters related to common share dividends

(a) Total amount of dividends	¥11,366 million
(b) Dividend amount per share	¥12.75
(c) Record date	March 31, 2021
(d) Effective date	June 11, 2021

(ii) The following was resolved at the Board of Directors meeting held on November 12, 2021.

- Matters related to common share dividends

(a) Total amount of dividends	¥18,667 million
(b) Dividend amount per share	¥13.00
(c) Record date	September 30, 2021
(d) Effective date	December 10, 2021

(2) Of the dividends whose record date is within the current period, those whose effective date is in the next period

The following is scheduled to be resolved at the Board of Directors meeting held on May 24, 2022.

- Matters related to common share dividends

(a) Total amount of dividends	¥21,542 million
(b) Source of dividends	Retained earnings
(c) Dividend amount per share	¥15.00
(d) Record date	March 31, 2022
(e) Effective date	June 13, 2022

4. Matters related to stock acquisition rights at end of current fiscal year

Date of resolution by Board of Directors	Type of shares to be delivered	Number of shares to be delivered	Number of outstanding stock acquisition rights
September 29, 2010	Common shares	52,100	521
September 29, 2011	Common shares	54,200	542
September 27, 2012	Common shares	154,600	1,546
September 26, 2013	Common shares	152,200	1,522
September 25, 2014	Common shares	192,300	1,923
September 29, 2015	Common shares	228,400	2,284
September 29, 2016	Common shares	340,000	3,400
September 27, 2017	Common shares	414,100	4,141
June 28, 2018	Common shares	383,600	3,836
June 25, 2019	Common shares	479,700	4,797
June 24, 2020	Common shares	496,300	4,963
June 25, 2021	Common shares	850,300	8,503

<Notes on financial instruments>

1. Matters related to the status of financial instruments

(1) Policies and initiatives for financial instruments

The Group mainly operates businesses of leasing, installments, and financial transactions.

In order to operate these businesses, the Group uses direct financing such as the issuance of bonds and commercial papers and securitization of receivables, as well as indirect financing such as bank borrowings.

The Group conducts comprehensive management of assets and liabilities (ALM) in order to properly manage and operate interest rate fluctuation risks that occur by the mismatch of interest rate formats and contract periods for asset management and financing.

Also, derivative transactions are used to hedge interest rate and currency rate fluctuations risks. The Group does not conduct such transactions for investment or short-term sales gains.

(2) Details and risks of financial instruments

The financial assets held by the Group are mainly receivables related to lease, installment, and financial transactions. There are credit risks stemming from non-payment of lease fees, etc. due to bankruptcy of the business partner.

Available-for-sale securities and investment securities are primarily shares, bonds, and investments in partnerships. The Company holds them for operating purposes for earning financial revenues or business promotion. Each security bears a credit risk of the issuer, interest rate fluctuation risk, and market value fluctuation risk.

Borrowings, bonds payable, and commercial papers, etc., bear liquidity risks in which the Group may be unable to secure payment on the payment date in cases such as an inability to liquidate the securities in the market under certain conditions. Also, payment obligations with variable interest rates bear interest rate fluctuation risks.

The main capital operation of the Group is lease, installment, and finance transactions. Certain receivables related to lease fee receivables, installment receivables, and financing transactions is based on fixed interest rate. On the other hand, some financing with variable interest rates bears interest rate fluctuation risks. The Company uses interest rate related derivative transactions to comprehensively hedge interest rate fluctuations risks and secure stable profit by guaranteeing profit from individual sales projects. In order to hedge currency exchange rate fluctuation risks for individual assets and liabilities denominated in foreign currencies, the Company hedges by currency-related derivative transactions and liabilities denominated in foreign currencies.

The Group applies hedge accounting related to derivative transactions, etc. Details are included in <Notes to basis of preparing consolidated financial statements> 4. Matters related to accounting policies (7) Important hedge accounting methods.

The derivative transactions of the Group bear market risks and credit risks. The derivative transactions of the Group play the role of reducing market risks of the entire Group because they mainly reduce interest rate and currency rate fluctuations risks of hedged assets and liabilities.

(3) Risk management System related to financial instruments

(i) Credit risk management

The Group conducts credit management of each business partner group through individual credit checks that are based on overall strategy, status of capital, and credit rating portfolio, in compliance with the Credit Risk Management Rules. Credit management is conducted through the sales department and credit department, which submit a proposal for deliberation and report to the Risk Management Committee, Executive Committee, and Board of Directors regularly. Also, the internal audit department verifies and audits management status.

(ii) Market risk management

The Group manages market risks, primarily interest rate fluctuation risk, based on the rules for market risk management.

In order to properly manage and operate interest rate fluctuation risks, the Group regularly monitors the status of mismatching in interest rate formats and contract periods for asset management and financing, as well as always pays close attention to interest rate situations. Regarding the status of interest rate fluctuation risks, the Company holds quarterly meetings of the ALM Committee, comprising officers and department heads of related departments. This committee analyzes market conditions and portfolios of assets and liabilities, and deliberates the current risk management policy. In addition, the status of interest rate fluctuation risks is reported to the Risk Management Committee, which is held quarterly.

(iii) Exchange rate fluctuation risk management

The Company hedges exchange rate fluctuation risk by using derivative transactions related to currencies and procuring liabilities denominated in foreign currencies corresponding to assets denominated in foreign currencies. The status of exchange rate fluctuation risk is reported to the Risk Management Committee.

(iv) Price fluctuation risk management

Regarding price fluctuation risks of securities and investment securities, securities with market value and investment securities are reported to the Risk Management Committee. Furthermore, because most shares are held for the purpose of transaction promotion, the Company monitors the financial status of the business partner, confirms the status of the transaction, and verifies from a capital cost perspective to determine whether or not to continue the holding.

(v) Liquidity risk management related to financing

The Group monitors the capital management status of the entire Group and adjusts the long- to short-term procurement balance. The Group also strives to secure capital liquidity by acquiring commitment lines from multiple financial institutions and promoting diversification of financing avenues. Regarding management of liquidity risks related to financing, the Company monitors the probability of risks emerging in the financing environment based on the Liquidity Risk Management Rules of the Company, and reports the status of liquidity risks monthly to the pertinent officers. Pertinent officers determine the stage of the liquidity risks and the results of this determination are reported to the ALM Committee and Risk Management Committee. Also, the Company establishes contingency plans for each stage and has constructed a system to execute the appropriate plan when the unexpected event occurs.

(vi) Total derivative transactions

Based on internal rules, use purpose and approval authority have been set for derivative transactions. The use purpose of derivative transactions is to hedge against interest rate and currency exchange rate fluctuation risks. The Treasury Department implements them on individual transactions of the Company. Regarding interest rate fluctuation risks, the Company comprehensively manages assets and liabilities through ALM and manages currency exchange rate fluctuation risks on an individual basis. The status of derivative transactions is reported quarterly to the President. The Company also manages credit risk due to defaults by business partners by establishing credit limits based on the credit and transaction status of each business partner.

(4) Supplementary explanation about matters related to market value, etc. of financial instruments

The market value of financial instruments is determined as the value based on market prices or the value reasonably calculated when no market price is available. Because certain assumptions are adopted to calculate the amount, the price may vary depending on different assumptions.

2. Matters related to details, etc. by market value level of financial instruments

Carrying amount, market value, and differences recorded in the consolidated balance sheet are as follows: Besides, pursuant to paragraph (5) of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, the "Fair Value Disclosure Implementation Guidance"), shares with no market value, etc. are not included in the following table. Besides, investment trust where transitional transfers were applied pursuant to paragraph (26) of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, the "Fair Value Measurement Implementation Guidance") and investment in partnerships, etc. where the net amount equivalent to the equity interests in the consolidated balance sheet were recorded with transitional transfers applied pursuant to paragraph (27) of the Fair Value Measurement Implementation Guidance are also not booked in the following table.

The market values of financial instruments are categorized into the following three levels based on their input observability and importance.

Level 1 market value: Of the inputs related to observable market value calculation, those calculated based on the market prices of assets or liabilities that are objects to calculate market values in a brisk exchange market

Level 2 market value: Market value, other than level 1 market values, where directly or indirectly observable inputs are used to calculate market values

Level 3 market values: Market values calculated by using important but not observable inputs

In the cases where multiple inputs having important impact on market value calculation are used, of the inputs having a respective level, the input having the lowest level of priority order is used to categorize market values.

(1) Financial instruments booking market values in the consolidated balance sheet

(Millions of yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
(1) Securities and investment securities				
Available-for-sale securities (*1)				
Shares	26,233	—	16,194	42,428
Government bonds, municipal bonds, etc.	2,604	—	—	2,604
Bonds payable	—	19,819	—	19,819
Other	—	—	2,331	2,331
(2) Derivative transactions (*2, *3)				
Currencies related	—	(44,313)	—	(44,313)
Interests related	—	4,592	—	4,592
Total assets	28,838	(19,902)	18,526	27,462

(*1) Pursuant to paragraph (26) of the Fair Value Measurement Implementation Guidance, investment trust with transitional treatment is not included in the above table. The amount of said investment trust in the consolidated balance sheet books ¥5,229 million in investment in securities.

(*2) Net receivables and liabilities occurring by derivative transactions are presented by net amount. Amounts in parentheses show that those are net liabilities.

(*3) Of the derivative transactions, the amount of the transactions adopting hedge accounting in the consolidated balance sheet records ¥(28,883) million. Said hedges are subject to the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (ASBJ Practical Solution No. 40, March 17, 2022).

(2) Financial instruments except those booking market values in the consolidated balance sheet

Cash and deposits, notes and accounts payable - trade, short-term borrowings and commercial paper represent cash or are settled in a short-term, reflecting the value close to the booked value. Such financial instruments are, therefore, not presented here.

(Millions of yen)

Category	Market value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
(1) Installment receivables (*1)					244,032	
Allowance for doubtful accounts (*2)					(1,268)	
	–	–	251,647	251,647	242,763	8,884
(2) Lease receivables and investments in leases (*3)					3,181,123	
Allowance for doubtful accounts (*2)					(8,304)	
	–	75,948	3,231,741	3,307,689	3,172,818	134,871
(3) Operating loans receivables					1,662,226	
Allowance for doubtful accounts (*2)					(9,396)	
	–	–	1,670,626	1,670,626	1,652,829	17,797
(4) Other operating loans receivables					183,749	
Allowance for doubtful accounts (*2)					(580)	
	–	211	183,737	183,948	183,168	779
(5) Distressed receivables					108,188	
Allowance for doubtful accounts (*2)					(76,769)	
	–	–	31,419	31,419	31,419	–
Total assets	–	76,159	5,369,172	5,445,331	5,282,999	162,332
(6) Bonds payable	–	2,236,181	–	2,236,181	2,263,891	(27,710)
(7) Long-term borrowings	–	3,877,899	–	3,877,899	3,923,672	(45,773)
(8) Current maturities of loans from the securitizations of the minimum future rentals on lease contracts	–	609,674	–	609,674	604,493	5,180
Total liabilities	–	6,723,754	–	6,723,754	6,792,057	(68,302)

(*1) Carrying amount excludes deferred profit on installment sales.

(*2) Installment receivables, lease receivables and investments in leases, operating loans receivables, other operating loans receivables, and distressed receivables exclude allowance for doubtful accounts for each.

(*3) Difference with the carrying amount on the consolidated balance sheet was ¥84,144 million in estimated remaining value related to finance leases that do not transfer ownership.

Note 1: Description of the valuation method for market value calculation and of inputs related to market value calculation

Financial instruments booking market values in the consolidated balance sheet

(1) Securities and investment securities

Securities listed on the exchange market book market values at the market, which are categorized into the market values at level 1. In this relation, of the non-listed securities, those using important but not observable inputs to calculate market values are categorized into market values at level 3. Receivables with a market value at the exchange market book said market values, while government bonds and municipal bonds are categorized as having level 1 market values, and the receivables other than mentioned above are categorized as having level 2 market values. Bonds having no exchange market value but having variable interest rates reflect the market interest rate in a short term. Therefore, as long as the credit status of the issuer does not change significantly after the issuance, the book value is shown as the market value because they are deemed to be close to each other. On the other hand, the market value of securities with fixed interest rates is the amount of future cash flow discounted after the spread is added to the term-end risk free rate. Said securities use observable inputs and are categorized as having level 2 market values.

(2) Derivative transactions

The market value of derivative transactions is determined based on the price presented by the financial institutions and is categorized into level 2 market value. Items using special treatment for interest rate swaps or allocation treatment for forward exchange contracts and currency swaps are treated together with long-term borrowings, etc. subject to hedge accounting. Therefore, their market value is included in the market value of relevant liabilities (See "Financial instruments except those with market values in the consolidated balance sheet" (7)).

Financial instruments except those with market values in the consolidated balance sheet

(1) Installment receivables

The total recoverable amount in the categories based on internal rating, period, etc. is discounted by the rate projected if a new installment is to be sold, or the total amount after estimated bad debts are deducted from the amount of projected recoverable in the categories based on internal rating, period, etc. is discounted by the term-end risk free rate, to calculate market values, which are categorized into level 3 market value.

(2) Lease receivables and investments in leases

The total amount after estimated maintenance costs are deducted from the projected recoverable amount in the categories based on internal rating, period, etc. is discounted by the rate projected if a new similar lease transaction is made, or the total amount after estimated maintenance costs and estimated bad debts are deducted from estimated amount recoverable in the categories based on internal rating, period, etc. is discounted by the term-end risk free rate, to calculate market values. In the case of using important but not observable inputs, level 3 market value is applied, and in the case of not using such inputs, level 2 market value is applied to categorize.

(3) Operating loans receivables

Operating loans receivables with variable interest rates reflect the market interest rate in a short term. Therefore, as long as the credit status of the borrower does not change significantly after disbursement of the loan, the book value is shown as the market value because they are deemed to be close to each other. For those with a fixed interest rate, the total principal and interest is discounted by a rate projected if a similar new loan is made in the categories based on the type of loan, internal rating, period, etc., or the estimated bad debts are deducted from the total of principal and interest in the categories based on the type of loan, internal rating, period, etc. which is then discounted by the term-end risk free rate, to calculate market values. These are categorized into level 3 market values.

(4) Other operating loans receivable

The total principal and interest is discounted by a rate projected if a similar new loan is made in the categories based on the type of loan, internal rating, period, etc., or the estimated bad debts are deducted from the total of principal and interest in the categories based on the type of loan, internal rating, period, etc. which is then discounted by the term-end risk free rate, to calculate market values. For items settled in a short term, the book value is shown as the market value because they are close to each other. Securities using important but not observable inputs are categorized as having level 3 market values, while the other securities are categorized as having level 2 market values.

(5) Distressed receivables

Estimated unrecoverable amount of distressed receivables is calculated based on the expected recoverable amount, etc. through collateral and guarantees. Therefore, the market value is deemed to be close to the amount obtained by deducting the estimated unrecoverable amount from the carrying amount on the consolidated balance sheet date, and thus said amount is shown as the market value, which are subject to the category of level 3 market value.

(6) Bonds payable

Of the bonds issued by the Group, the book value is shown as the market value for those settled in a short term because they are close to each other. In addition, of the bonds settled in a long term, those with variable interest rates reflect market interest rates in a short term, and the credit status of the Group did not change significantly after actual issuance. Therefore, the book value is shown as the market value because they are deemed to be close to each other. The bonds with a market value, except those mentioned above, is based on the market value, while the market value of bonds with no market value is mainly calculated by discounting the total principal and interest of said bonds categorized by certain periods by the rate expected in the case where the similar funding. These are categorized as having level 2 market values.

(7) Long-term borrowings

Of long-term borrowings, those with variable interest rates reflect market interest rates in a short term, and the credit status of the Group did not change significantly after the borrowing. Therefore, the book value is shown as the market value because they are deemed to be close to each other. The market value of long-term borrowings with fixed interest rates is calculated by discounting the total principal and interest of long-term borrowings (*) categorized by set periods by the rate expected in the case where the similar funding. These are categorized as having level 2 market values.

(*) Long-term borrowings subject to special treatment for interest rate swaps use the total amount of the principal and interest treated together with the interest rate swap. Long-term borrowings subject to allocation treatment for currency swaps use the total amount of the principal and interest treated together with the currency swap.

(8) Current maturities of loans from the securitizations of the minimum future rentals on lease contracts

Of current maturities of loans from the securitizations of the minimum future rentals on lease contracts, those with variable interest rates reflect market interest rates in a short term, and the credit status of the Group did not change significantly after issuance. Therefore, the book value is shown as the market value because they are deemed to be close to each other. The market value of items with fixed interest rates is calculated by discounting, by the rate expected at similar funding, the total principal and interest of current maturities of loans from the securitizations of the minimum future rentals on lease contracts categorized by certain periods. These are categorized as having level 2 market values.

Note 2: Information on the financial instruments having level 3 market value in the consolidated balance sheet

(1) Financial instruments with a market value in the consolidated balance sheet

Category	Valuation method	Important but not observable inputs	Scope of inputs	Weighted average of inputs
Securities and investment securities				
Shares	Multiple method	EV/RAV multiplying power	1.37 times	1.37 times

Other financial instruments are omitted from presentation due to their insignificance in terms of monetary value.

(2) Table of adjustments from the beginning balance to the term-end balance, valuation loss and profit recognized in the current fiscal year

(Millions of yen)

Category	Securities and investment securities		Total
	Shares	Other	
Beginning balance	9,829	–	9,829
Income/loss or other comprehensive income for the current year			
Recorded as income or loss (*1)	226	–	226
Recorded as other comprehensive income (*2)	1,386	–	1,386
Purchase, disposal and redemption			
Purchase (*3)	4,776	3,746	8,522
Disposal and redemption	(24)	(1,414)	(1,439)
Transfer to level 3 market value	–	–	–
Transfer from level 3 market value	–	–	–
Balance at end of fiscal year	16,194	2,331	18,526
Valuation gain or loss (*1) on financial assets and financial liabilities held in the consolidated balance sheet as of the settlement day, of their amounts of gain or loss recorded for the current fiscal year	226	–	226

(*1) Included mainly in sales in the consolidated statement of income.
(*2) Included mainly in valuation difference on available-for-sale securities in the consolidated statement of comprehensive income.
(*3) Purchase include the increase due to the merger and the increase transferred from other accounting items.

(3) Description of market value valuation process

Market values are measured by the management department independent from the sales department pursuant to the prescribed rules. A valuation model that can most appropriately reflect individual natures, characteristics, and risks of financial instruments is adopted.

In addition, the management department monitors changes in important indexes that may have impact on market value fluctuations to check consistency with price fluctuations.

(4) Description of impact on market values in the case where important but not observable input is changed

EV/RAV multiplying power

EV/RAV multiplying power is a value where the corporate value of a similar type of company is divided by its restricted outstanding assets. A substantial rise (fall) of the EV/RAV multiplying power will cause a marked rise (fall) to the shares.

<Notes on rental properties>

The Company owns rental office buildings, commercial facilities, and housing units in major cities across Japan. Gain on leases related to rental properties in the current fiscal year was ¥17,157 million (major rental income and expenses are booked to revenues and cost of revenues).

The carrying amount of rental properties, amount change during fiscal year, and market value are as follows.

Carrying amount			Market value at end of current fiscal year
Balance at beginning of current fiscal year	Amount change during current fiscal year	Balance at end of current fiscal year	
¥318,620 million	¥99,505 million	¥418,126 million	¥482,922 million

Notes: 1. Carrying amount is the amount subtracting accumulated depreciation amount from historical cost.

2. Of the increase (decrease) for the current fiscal year, the major increase (amounted to ¥73,370 million) is owing to the merge with Hitachi Capital Corporation.

3. The market value of major properties at the end of the current fiscal year is the amount determined by the capitalization method and the amount based on a real estate appraisal evaluation by an outside real estate appraiser. However, if there are no important changes to indicators that is considered to reflect the certain valuation amount and appropriate market price from the most recent valuation, market value will be the most recent valuation amount adjusted appropriately. For other properties, market value is the amount based on indicators that is considered to reflect market price and the amount reasonably calculated in-house based on the capitalization method. The market value of properties newly acquired during the current fiscal year such as some buildings in which the changes to market value and depreciation will not be significant is based on the proper book value.

<Notes on revenue recognition>

(Information on disaggregation of revenue)

Information disaggregating revenue from contracts with customers

(Millions of yen)

	Reporting segment						
	Customer business	Account solution	Vendor solution	Life	Real estate	Environ-ment & renewable energy	Aviation
Sales from maintenance contracts	—	39,572	88	651	—	15	—
Sales from selling merchandise	7,365	8,975	74	160	4,528	—	5,497
Electricity sales	84	8	—	—	—	34,507	—
Sales from disposal of lease properties (*2)	30	30,954	—	—	—	—	—
Other	1,664	17,145	118	2,103	2,490	976	7,091
Revenue from contracts with customers	9,145	96,658	282	2,915	7,019	35,499	12,588
Other revenue (*3)	562,054	340,957	145,882	100,766	98,908	12,247	143,938
Total	571,200	437,615	146,165	103,682	105,927	47,746	156,526

(Millions of yen)

	Reporting segment			Adjusted amount (*1)	Amount recorded in consolidat-ed statement of income
	Logistics	Mobility	Other		
Sales from maintenance contracts	—	7,650	26	—	48,006
Sales from selling merchandise	—	1,972	3,522	—	32,096
Electricity sales	—	—	—	—	34,600
Sales from disposal of lease properties (*2)	—	9,034	—	—	40,020
Other	466	851	2,857	1,523	37,289
Revenue from contracts with customers	466	19,509	6,405	1,523	192,014
Other revenue (*3)	52,916	73,280	49,967	(7,374)	1,573,545
Total	53,382	92,790	56,373	(5,850)	1,765,559

Notes: 1. The adjustment includes ¥(7,571) million of adjusted amount of sales following the merger with Hitachi Capital Corporation to which the purchase method was applied.

2. Sales from disposal of lease properties are sales from disposal of lease properties due to the lease contract maturities of the subsidiaries outside Japan that adopt the International Financial Reporting Standards or the U.S. accounting standards.

3. Other revenue primarily includes finance lease sales, operating lease sales, revenue from operating loans, and installment sales.

As shown in the disaggregated revenue information, revenue from contracts with customers has poor significance to sales. The Company, therefore, omitted the description that is the base to understand revenue and the information to understand amounts of revenue for the current and next fiscal years on.

<Notes on per share information>

Equity per share	¥912.19
Earnings per share	¥69.24

<Notes on significant subsequent events>

None.

<Other notes>

Notes on business combinations

Business combination by acquisition

(Business integration with Hitachi Capital Corporation)

Mitsubishi UFJ Lease & Finance Company Limited ("Mitsubishi UFJ Lease") and Hitachi Capital Corporation ("Hitachi Capital") made a business integration on April 1, 2021 (the "Business Integration") and changed the tradename to Mitsubishi HC Capital Inc. on the same day.

1. Overview of the business combination

(1) Name and business of the company acquired

Name of the company acquired: Hitachi Capital Corporation

Description of business: General leases, installment sales, and other finances and services

(2) Reason for the business combination

Background of the Business Integration

① Social situations

Changes in the external environments have become intense in recent years. The climate change, resource shortage, moving away from fossil fuels and other natural resources, changes in population structure, progress in technologies, urbanization, shifts in world economic powers, the multi-polarized world, and other megatrends are accelerating, indicating decisive impact on the long-term global economy including Japan.

Moreover, the entire socio-economic paradigm shift has been taking place due to the COVID-19 pandemic. Specifically, among others, innovations are apparently heading for qualitative restructuring of the supply chain, digitalization, data economization, reforming into a cyclic economy from mass-production and consumption.

② Recognizing challenging subjects

Along with the changes in the external environments, the role expected to lease companies is changing to solving social problems through investment in and management of businesses, in addition to existing lease finance.

Moreover, under the With/Post COVID-19 environment, industry-wide fast changes in business model are apparently taking place beyond imagination. Companies seeking adjustment to such environmental changes are expecting an increasing role from lease companies that are capable of offering diverse functions on assets and flexible services beyond finance functions.

Both companies, who had close collaboration in diverse industries, decided to seize the opportunity to expand and consolidate the business and financial bases in such extensive changes of the external environment taking place in the societies and industries. The challenge will lead to creating social values and contribute to different customers and local communities.

Purpose of the Business Integration

Before the Business Integration, both companies respectively upheld its medium- to long-term visions in the mid-term business plan. The efforts drove these visions into creating new social value for affluent society by adjusting to the environmental changes and enhancing the sustainable corporate value. Under the unified visions and corporate philosophy realized through the Business Integration, the new company will deploy business for powerful growth in order to achieve (i) mutual complementation in the business areas, (ii) further reinforcement of management bases and, on these bases, (iii) creating new values.

(i) Mutual complementation in the business areas

Building an ideal mutual complementation enables to offer full lineup of services across the business areas and the diversification of portfolios in the business areas and deployment regions. Though these measures, the new company will acquire a robust and stable revenue base that is resilient to impact from the external environment and boost the earning power by expanding investment activities through the consolidated corporate strength.

(ii) Further reinforcement of management bases

The mobilization of our management resources and know-how, such as utilizing and strengthening personnel (human resource), which is the source of corporate competitiveness, making the most of partners and the network, strengthening the financial base, enhancing the risk management, and promoting digitalization, will lead to building a robust management base that supports sustainable growth.

(iii) Creating new values

Unlike existing lease companies, the new company will seek offering new values to customers by strengthening and expanding areas in the business fields where the company has advantages and by advancing into new business areas and regions.

The Business Integration will enable us to play as one of the leading global players in terms of business scale and field. Making the most of the expanding scale and cumulated know-how, the Company will grow into a social-problem solving business for a new era, through detecting and meeting correct changes in the needs of customers and local societies around the world.

(3) Date of business combination

April 1, 2021

(4) Legal form of business combination

Absorption-type merger where Mitsubishi UFJ Lease & Finance Company Limited is the surviving company and Hitachi Capital Corporation is the merged company

(5) Name of company after the combination

Mitsubishi HC Capital Inc.

(6) Voting ratio acquired

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

(7) Primary reasons for deciding on the acquiring company

The type of consideration was business combination in exchange of shares. The Company was to issue said shares. The shareholders of the Company before the combination was going to acquire the largest share of the voting ratios after the combination. These reasons made the Company to be the acquiring company.

2. Period of acquired company's performances included in the consolidated financial statements
April 1, 2021 to March 31, 2022

3. Acquisition cost of acquired company and breakdown in types of consideration

Consideration of acquisition: Market value of common shares held immediately before the business combination on the day of business combination	¥16,725 million
Consideration of acquisition: Market value of common shares issued by the Company on the day of business combination	¥381,480 million
Cost of acquisition	¥398,205 million

4. Exchange ratios by share type, calculation method and the number of shares issued

(1) Exchange ratios by type of share

Company name	Mitsubishi UFJ Lease & Finance Company Limited (Surviving company)	Hitachi Capital Corporation (Merged company)
Merger ratio	1	5.10
Number of shares to be issued through the Business Integration	Common shares: 571,078,084	

(2) Method for calculating share exchange ratios

To ensure the fair merger ratios, the concerned companies respectively decided to appoint an independent third-party body to calculate the merger ratios. Mitsubishi UFJ Lease & Finance Company Limited appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Hitachi Capital Corporation appointed Goldman Sachs Japan Co., Ltd.

Based on the calculation results, etc. reported by respective third-party calculation bodies, Mitsubishi UFJ Lease & Finance Company Limited and Hitachi Capital Corporation had serious negotiations and conferences with each other on the merger ratios in consideration of their financial standings, performance trends, stock price trends, etc. The above-mentioned merger ratios are the final result of those negotiations, reflecting reasonable ratios. Both companies, therefore, accepted and decided on the exchange ratios, which will contribute to the shareholders' interest of both companies.

5. Detail and amount of major acquisition costs
Remuneration and fees for advisory service, etc.: ¥6,494 million

6. Cost of acquisition of the acquired company and the total and difference in acquisition costs by transaction
Difference on step acquisition: ¥229 million

7. Amount of gain on bargain purchase and occurrence cause

(1) Amount of gain on bargain purchase
¥431 million

(2) Occurrence cause
After the identification of recognizable assets and liabilities on the business combination day and after the completions of their market values calculation and the subsequent distribution of the acquisition costs, net assets on the business combination day surpassed the acquisition costs and, therefore, the difference was recognized as gain on bargain purchase.

8. Amounts and details of assets accepted and liabilities underwritten on the business combination day

Current assets	¥2,853,966 million
Non-current assets	¥860,780 million
Deferred assets	¥978 million
Total assets	¥3,715,725 million
Current liabilities	¥1,376,757 million
Non-current liabilities	¥1,921,232 million
Total liabilities	¥3,297,990 million

Acquisition of the subscriber's share of CAI International, Inc. on the capital

The Company decided to acquire all the shares of CAI International, Inc. ("CAI Inc.") at the Board of Director's meeting held on June 18, 2021 through Cattleya Acquisition Corp. (located in the State of Delaware, hereafter referred to as the "Acquisition Subsidiary"), a wholly-owned subsidiary in the United Sates that the Company has established to acquire said shares, by making the Acquisition Subsidiary merge with CAI Inc. (reverse triangular merger). As a result, the Company concluded a merger contract between the Company, the Acquisition Subsidiary and CAI Inc. Pursuant to the merger contract, the Company completed the procedures to acquire CAI Inc. on November 22, 2021 and made CAI Inc. a wholly-owned subsidiary.

1. Overview of the business combination

(1) Name of acquired company and detail of business

Name of acquired company: CAI International, Inc.

Detail of business: Marine container lease

(2) Reason for acquiring the subsidiary through acquisition

The Company decided on this acquisition, since we see that "global asset" is a growth driver in the focusing areas to lead the medium- to long-term business strategy. CAI Inc., which is to become a wholly-owned subsidiary of the Company, ranks 6th in the world in the marine container lease market share (TEU* basis) and has advantages with global platforms that are supported with marketing operation bases and container stocking bases around the world. When it is combined with Beacon Intermodal Leasing, LLC, a marine container lease business of the Company, the number of containers stocked by the Group ranks 2nd in the world. The Company will stride forward to boost revenue and accelerate growth through making the most of the platforms of both companies and integrating their business experience and expertise. Through the merger, the Company is striving to enhance competitiveness in the marine container lease business in the global market and take in such growth opportunities and reinforce the business as driving force to support the medium- to long-term growth.

*TEU: A unit representing one 20-feet container

(3) Date of business combination

November 22, 2021

(4) Legal form of business combination

Acquisition of shares in consideration of cash (reverse triangular acquisition)

(5) Name of company after the combination

The name is not changed after the combination.

(6) Voting ratio acquired

100%

(7) Primary reason to decide on the acquisition company

The Company has acquired a majority of voting rights of CAI Inc. in exchange of cash as consideration.

2. Period of acquired company's performances included in the consolidated financial statements

November 23, 2021 to December 31, 2021

3. Acquisition cost of acquired company and breakdown in types of consideration

Consideration of acquisition	Cash:	¥124,190 million
Cost of acquisition:		¥124,190 million

4. Detail and amount of major acquisition costs

Remuneration and fees for advisory service, etc.: ¥1,595 million

5. Amount of goodwill occurred, occurrence cause, redemption method and redemption period

(1) Amount of goodwill occurred

¥33,613 million

(2) Occurrence cause

Goodwill occurred from excess earning power in future that is expected from ongoing business deployment.

(3) Method and period of depreciation

Straight-line method for 20 years

6. Amounts and details of assets accepted and liabilities underwritten on the business combination day

Current assets	¥127,629	million
Non-current assets	¥337,407	million
Deferred assets	¥6	million
Total assets	¥465,043	million
Current liabilities	¥38,173	million
Non-current liabilities	¥302,356	million
Total liabilities	¥340,529	million

7. Estimate of impact on the current consolidated statement of income and the calculation method if the business combination is completed on the first day of the fiscal year

Revenues	¥49,498	million
Operating income	¥15,024	million
Recurring income	¥14,951	million
Income before income taxes	¥14,951	million
Net loss attributable to shareholders of parent	¥(5,541)	million
Net loss per share	¥(3.86)	

(Method for calculating the estimate)

The estimate of impact is calculated as the difference between sales and gain/loss information if the business combination is completed on the first day of the fiscal year and sales and gain/loss information in the consolidated statement of income of the acquiring company. In addition, said estimate includes the adjusted amount of goodwill depreciation on the supposition assuming that the goodwill that occurred at the time of acquisition of control took place on the first day of the fiscal year.

In this connection, said estimate did not take audit certification.

Non-consolidated statement of changes in equity

(April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings forwarded	Total retained earnings
Balance at beginning of period as of April 1, 2021	33,196	33,802	127,739	161,541	638	72,035	258,023	330,697
Cumulative amount effected from changes in the accounting policies							(1,939)	(1,939)
Balance at beginning of the current period reflecting changes in the accounting policies	33,196	33,802	127,739	161,541	638	72,035	256,084	328,757
Changes during fiscal year								
Increase due to the merger			381,480	381,480				
Dividends from surplus							(29,693)	(29,693)
Net income							51,584	51,584
Purchase of treasury shares								
Disposal of treasury shares			(60)	(60)				
Net changes in items other than shareholders' equity								
Total changes during fiscal year	—	—	381,419	381,419	—	—	21,890	21,890
Balance at end of period as of March 31, 2022	33,196	33,802	509,158	542,960	638	72,035	277,974	350,647

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total equity
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period as of April 1, 2021	(1,528)	523,906	29,656	4,378	34,035	1,552	559,494
Cumulative amount effected from changes in the accounting policies		(1,939)					(1,939)
Balance at beginning of the current period reflecting changes in the accounting policies	(1,528)	521,966	29,656	4,378	34,035	1,552	557,554
Changes during fiscal year							
Increase due to the merger	(18,022)	363,457					363,457
Dividends from surplus		(29,693)					(29,693)
Net income		51,584					51,584
Purchase of treasury shares	(3)	(3)					(3)
Disposal of treasury shares	184	123					123
Net changes in items other than shareholders' equity			(17,676)	(45,054)	(62,731)	308	(62,422)
Total changes during fiscal year	(17,840)	385,468	(17,676)	(45,054)	(62,731)	308	323,046
Balance at end of period as of March 31, 2022	(19,369)	907,435	11,979	(40,675)	(28,696)	1,861	880,601

<u>Notes on non-consolidated financial statements</u>

<Notes on matters related to important accounting policies>

1. Valuation standards and method for securities

(1) Subsidiary shares and affiliate shares

Cost method based on the moving average method

(2) Of available-for-sale securities, bonds and other securities held for earning financial revenues for operating purposes (operational investment securities)

- Other than shares that have no market value

Fair value method

(Valuation differences are included directly in net assets and costs of securities sold are determined by the moving average method.)

- Shares with no market value, etc.

Cost method based on the moving average method

For investments in limited liability investment partnerships and similar entities (deemed to be securities based on Article 2, paragraph (2) of the Financial Instruments and Exchange Act), these are stated by the net amount corresponding to the Company's equity share based on the most recent obtainable financial statements depending on the reporting date established by the partnership agreement.

(3) Available-for-sale securities not included above

- Other than shares that have no market value

Fair value method

(Valuation differences are included directly in net assets and costs of securities sold are determined by the moving average method.)

- Shares with no market value, etc.

Cost method based on the moving average method

For investments in limited liability investment partnerships (deemed to be securities based on Article 2, paragraph (2) of the Financial Instruments and Exchange Act), these are stated by the net amount corresponding to the Company's equity share based on the most recent obtainable financial statements depending on the reporting date established by the partnership agreement.

(4) Investments in other securities of subsidiaries and associates

Cost method based on the moving average method

For investments in partnerships (deemed to be securities based on Article 2, paragraph (2) of the Financial Instruments and Exchange Act), these are stated by the net amount corresponding to the Company's equity share based on the most recent obtainable financial statements depending on the reporting date established by the partnership agreement.

2. Valuation standards and method for derivatives

Fair value method

3. Valuation standard and method for inventories
   Cost method based on the specific-cost method
   (Balance sheet values are calculated using the method of writing down the book value based on declining profitability)

4. Method of depreciation for fixed assets
   (1) Leased assets
      Depreciation is calculated with the lease period considered as the depreciation years, and using the straight-line method based on the standard that the estimated disposal value of a leased asset at the fulfillment of the lease period to be the residual value.
   (2) Own-used assets
      Depreciation is calculated with declining balance method.
      However, for buildings (excluding equipment attached to buildings) acquired on or after April 1, 2000, as well as equipment attached to buildings and structures acquired on or after April 1, 2016, depreciation is calculated using the straight-line method.
   (3) Other intangible assets (excluding goodwill)
      Calculated using the straight-line method.
      For software (used internally), amortization is calculated using the straight-line method based on expected usable period (five years) in the Company.
   (4) Long-term prepaid expenses
      Calculated using the straight-line method.

5. Accounting method for deferred assets
   Bond issuance costs are depreciated in interest rule for the period until their redemption.

6. Translation criteria of assets and liabilities denominated in foreign currencies into Japanese yen
   Monetary claims and liabilities denominated in foreign currencies are translated into Japanese yen by using the spot exchange rates on the balance sheet date, and the difference arising from such translation is stated as gain or loss. Monetary claims and liabilities denominated in foreign currencies subject to allocation treatment, such as currency swaps, etc., are translated into a currency swap in Japanese yen.

7. Accounting policy for allowances and provisions
   (1) Allowance for doubtful accounts
      To reserve for loss on doubtful accounts, estimated uncollectible amounts are booked based on historical default rates for general receivables, or based on individual consideration of collectability for doubtful receivables and distressed receivables (receivables from legally or substantially bankrupt obligors).
      Also, the Company applies the “Treatment on the calculation of default estimates” established in “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Lease Industry” (The Japanese Institute of Certified Public Accountants Industry Committee Practical Guidance No. 19, November 14, 2000).
      With respect to the amount of distressed receivables, the amount expected to be recoverable is deducted from the receivable amount, and the remainder, which is treated as the estimated amount

of uncollectible receivables, is directly deducted from the receivable amount. This amount is ¥3,938 million.

(2) Provision for bonuses
The Company books the amount expected to be paid in the following year that are attributable to the current fiscal year in order to issue payment for bonuses to employees.

(3) Provision for bonuses for directors (and other officers)
The Company books the amount expected to be paid in the following year that are attributable to the current fiscal year in order to issue payment for bonuses to officers, executive officers, etc.

(4) Provision for retirement benefits
The Company books provisions based on expected pension assets and retirement benefit liabilities at the end of the current fiscal year in order to pay employee retirement benefits.

(i) Method of attributing estimated retirement benefits for periods of service
In the calculation of retirement benefits liabilities, the method of attributing the estimated amount of retirement benefits to the period until the end of the current fiscal year is on the benefit formula basis.

(ii) Amortization of actuarial gains and losses and past service cost
Past service cost is amortized using the straight-line method for the average remaining service years of employees (15 years) at the time of occurrence.
Pertaining to the actuarial gains and losses, the pro-rata amount calculated using the straight-line method for the average remaining service years of employees (13 to 20 years) at the time of occurrence in each fiscal year is amortized from the respective following fiscal years.

8. Accounting standards for income and expenses

(1) Accounting method for lease transactions

(i) Accounting standards of revenues and cost of revenues related to finance lease transactions
The Company books the revenues and cost of revenues corresponding to the elapsed period based on a standard of a monthly lease fee to be received under the lease agreement for the duration of the lease agreement period.

(ii) Accounting standards of revenues related to operating lease transactions
The Company books lease fees corresponding to the elapsed period based on a standard of a monthly lease fee to be received under the lease agreement for the duration of the lease agreement period.
Disposal amount and cost related to disposal of leasing assets are booked as revenues and cost of revenues.

(2) Accounting standards of revenues and cost of revenues related to installment sales transactions
Pursuant to the “Treatment of Installment Sale Transactions” stated in the “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Lease Industry” (The Japanese Institute of Certified Public Accountants Industry Committee Practical Guidance No. 19, November 14, 2000), total of installment sale receivables is recorded as installment receivables when an instalment sale contract is concluded, and installment sales and cost of installment sales, which correspond to said policy duration based on the payment date in the installment contract, are recorded.
Unrealized profit corresponding to installment receivables with a future payment date adopt

deferred accounting as deferred profit on installment sales.

(3) Accounting policy for financing expenses

Financing expenses are categorized and booked under financing expenses for operating income and other financing expenses.

Total assets are categorized as assets based on operating transactions and other assets. Based on the balance of these assets, financing expenses corresponding to operating assets are booked in cost of revenues as capital costs while financing expenses corresponding to other assets are booked as non-operating expenses.

Furthermore, capital costs are booked after deducting the interest income of corresponding deposits from financing expenses related to operating assets.

9. Hedge accounting methods

(1) Hedge accounting methods

The Company applies the deferred hedge method.

The Company applies allocation treatment for currency swaps that meet to requirements of allocation treatment, and the Company applies special treatment for interest rate swaps that meet requirements of special treatment.

(2) Hedge instruments and hedged items

Hedge instruments ... Interest rate swap instruments, foreign currency interest rate swap instruments, forward exchange contracts, investment in equity for overseas subsidiaries and overseas affiliates, and other liabilities denominated in foreign currencies related to available-for-sale securities denominated in foreign currencies

Hedge items ... Borrowings, bonds payable, accounts payable - trade, time deposits denominated in foreign currencies, investment in equity for overseas subsidiaries and overseas affiliates, and available-for-sale securities denominated in foreign currencies

(3) Hedge policies and methods to evaluate hedge effectiveness

In order to hedge interest rate and foreign currency rate fluctuation risks, and maintain a stable income, the Company performs derivative transactions based on internal rules.

Regarding interest rate fluctuation risks, lease fee receivables and installment receivables, etc., the primary operating assets of the Company, adopt a long-term fixed interest rate. On the other hand, because there are variable interest rates within the financing through bank borrowings, etc., the Company manages and performs comprehensive hedges of liabilities so that the expected principal of derivative transactions that are hedging instruments is within the scope of hedged liabilities based on the comprehensive management of assets and liabilities (ALM). Furthermore, the Company hedges by interest rate swaps for the purpose of locking in profit on individual projects.

Regarding foreign currency exchange rate fluctuation risks, the Company hedges through currency swaps, forward exchange contracts, and liabilities denominated in foreign currencies for individual assets and liabilities denominated in foreign currencies, investment in equity for overseas subsidiaries and overseas affiliates, and available-for-sale securities denominated in foreign currencies.

The Company evaluates the effectiveness of hedges by verifying whether the interest rate of hedged items and the foreign currency exchange rate fluctuation risk are diminished. However, interest rate swaps performed by special treatment are not included in the evaluation of effectiveness.

Transaction status is reported quarterly to the President.

10. Other significant matters that are the basis for preparing the non-consolidated financial statements

(1) Accounting method of bonds and other securities held for earning financial revenues for operating purposes (operational investment securities)

The Company booked ¥73,194 million in investment securities, ¥1,413 million in securities, and ¥41,096 million in investments in other securities of subsidiaries and associates.

Further, these financial revenues (interest income, redemption difference, and partnership gains/loss corresponding to equity share) is booked under revenues.

(2) Accounting methods related to retirement benefits

The accounting method of unrecognized actuarial gains and losses related to retirement benefits and unaccounted amount of unrecognized past service costs differs from the accounting method in the consolidated financial statements.

(3) Method and period of amortization of goodwill

Goodwill is amortized in equal amounts over 20 years.

<Notes on changes in accounting policies>

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph (84) of the Accounting Standard for Revenue Recognition. However, the impact on financial statements is minor.

Application of Accounting Standard for Market Value Calculation, Etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and other relevant regulations from the beginning of this current fiscal year, and it has decided to apply new accounting policies stated in the Accounting Standard for Fair Value Measurement in future in accordance with the transitional treatment provided for in paragraph (19) of the Accounting Standard for Fair Value Measurement and in paragraph (44-2) of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

The new application has no impact on the financial statements.

Changes in accounting policies due to the merger of Hitachi Capital Corporation

The Company merged with Hitachi Capital Corporation on the merger conclusion day of April 1, 2021. Accordingly, the Company has changed accounting policies concerning the items stated below from the current fiscal year.

In this connection, retrospective application of changes in accounting policies is adopted and cumulative effect is reflected on the book value of net assets of the beginning of the current fiscal year.

Method for How to Post Re-leasing Revenues in Lease Transactions

In the past, the Company booked revenues from re-lease charges on the beginning day of re-lease charges (normally, for one year) but changed to monthly charges by prorating one-year charges onto monthly charges for the re-lease periods.

After the merger, outstanding assets of re-leasing contracts have increased; many of the typical re-leasing contracts have received re-leasing charges in a lump at the beginning of the re-leasing contracts; when such contracts are cancelled, many of them do not need to refund for the unexpired period; accordingly, the Company has posted re-leasing charges as revenues in a lump at the beginning of re-leasing contracts. However, for re-leasing contracts that are transactions of asset leases, the Company judges that the change into the method for prorating re-leasing charges onto the remaining months more appropriately reflects revenues from re-leasing contracts into financial statements.

Following the change, the beginning retained earnings balance decreased by ¥5,742 million in the non-consolidated statement of changes in equity to which retrospective application of the changes was applied.

<Method for posting lease transactions as finance transactions>

In the past, the Company processed certain lease contracts as virtually financial transactions based on their transaction form, processed such contracts as operating loans receivables in the non-consolidated balance sheet and posted amount equivalent to interest receivables as lease sales in the non-consolidated statement of income. However, to meet the contract form, the Company has changed the processing of those items to posting as lease loans receivables or investments in leases in the non-consolidated balance sheet, as lease sales and lease costs in the non-consolidated statement of income.

The Company so far posted and presented lease transactions as virtually financial transactions by posting lease properties as collateral based on the intent of the lease parties and the content of the lease properties, etc. in accordance with the processing of loans receivables. However, after the end of such lease periods, returns of the lease properties to the Company have been on the increase, indicating more obvious nature of finance lease. Furthermore, after the merger, outstanding assets from the same kind of lease transactions has increased, which is also an additional reason for the change.

Following the change, the beginning retained earnings balance increased by ¥1,732 million in the non-consolidated statement of changes in equity to which retrospective application of the changes was applied.

<Method for Posting Deferred Assets (Bond Issuance Cost)>

The Company has changed the processing of bond issuance costs into interest rule, namely to the method for amortizing such costs over the period of redemption, unlike in the past where the Company processed bond issuance costs as full expenses at the time of their issuance for the Company.

This change has been made because bond issuance costs are fund-raising costs like bond interests payables. The international accounting standard for posting expenses stipulates that cost amortization should follow interest rule. The change will more appropriately reflect the Company's fundraising activities into the financial statements.

Following the change, the beginning retained earnings balance increased by ¥2,070 million in the non-consolidated statement of changes in equity to which retrospective application of the changes was applied.

<Notes on changes in presentation>

(Non-consolidated balance sheet)

"Loans receivable from subsidiaries and associates" was included in "Operating loans receivables" in "Current assets" until the preceding fiscal year. For enhancing disclosure transparency, the item is presented independently from the current fiscal year.

In this connection, "Loans receivable from subsidiaries and associates" for the preceding fiscal year was ¥1,090,195 million.

<Notes on accounting estimates>

(Amounts of posting assets and liabilities underwritten following the business combinations)

The Company had concluded business integration with Hitachi Capital Corporation on April 1, 2021. Following the business integration, the amounts of posting the assets and liabilities underwritten on the day of the business combination reflect distributed acquisition costs based on the market value on the day of the business combination. The Company used valuation models according to the characteristics of the business and calculated market values based on future cash flows to be generated from assets and liabilities, discount rates, and estimated replacement costs.

The amounts of the assets accepted and the liabilities underwritten on the day of the business combination are as stated in <Other notes>, Notes on business combinations in the notes on non-consolidated financial statements, and the amounts of major assets and liabilities and the valuation models are as follows:

	Amount posted (Millions of yen)	Major valuation model
Lease receivables	28,090	Discounted cash flow method
Investments in leases	472,826	Discounted cash flow method
Leased assets (property, plant and equipment)	150,138	Replacement costs method
Bonds (including current portion of bonds payable)	486,793	Discounted cash flow method
Long-term borrowings (including current portion of long-term borrowings)	476,831	Discounted cash flow method

(Allowance for doubtful accounts)

Estimated uncollectible amounts are booked as allowance for doubtful accounts based on historical default rates for normal receivables, as well as considering the collectability of highly doubtful receivables and distressed receivables (receivables from legally or substantially bankrupt obligors).

The estimated unrecoverable amount is calculated based on the financial status of the business partners, the estimated recoverable value of collateral, and future cash flow, etc. in the cash flow estimation method. The Company determines this estimate to be rational. However, if there are changes to the conditions precedent or the business environment, there may be significant impact on the non-consolidated financial statements from the next fiscal year on.

The Company booked ¥20,235 million in allowance for doubtful accounts at the end of the current fiscal year.

<Notes on non-consolidated balance sheet>

1. Displayed figures are rounded down to the nearest million yen.
2. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(Millions of yen)
Cash and deposits	1,630
Installment receivables	1
Lease receivables	27,694
Investments in leases	104,074
Operating loans receivables	694
Loans receivable from subsidiaries and associates	8,671
Investment securities	6,638
Shares of subsidiaries and associates	1,101
Investments in other securities of subsidiaries and associates	12,662
Operating lease contract receivables	1,362
Total	164,530

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (including long-term)	112,776
Long-term guarantee deposits received	1,073
Other non-current liabilities	9
Total	113,859

Note: Of the assets pledged as collateral, ¥1,630 million in cash and deposits, ¥251 million in investments in leases, ¥694 million in operating loans receivables, ¥8,671 million in loans receivable from subsidiaries and associates, ¥6,638 million in investment securities, ¥1,101 million in shares of subsidiaries and associates, and ¥12,662 million in investments in other securities of subsidiaries and associates have revolving pledge and mortgages as the collateral held by the investees for their borrowings, etc. from financial institutions.

3. Total depreciation of property, plant and equipment

	(Millions of yen)
Leased assets	218,190
Own-used assets	5,014
Total	223,205

4. Guarantee obligations, etc.

(1) Guarantee obligations, etc. in operations (including commitment to guarantee)

	(Millions of yen)
Operating guarantees amount	34,742

(2) Guarantee obligations, etc. for operating transactions of subsidiaries and associates (including commitment to guarantee)

	(Millions of yen)
MHC Capital & Finance (Hong Kong) Limited	16,909
Mitsubishi HC Capital Property Inc.	2,372
Argos Shipping Pte. Ltd.	1,154
Other	2,459
Subtotal	22,895

(3) Guarantee obligations, etc. for liabilities including bank borrowings of subsidiaries and associates (including commitment to guarantee)

	(Millions of yen)
Mitsubishi HC Capital UK PLC	574,752
Mitsubishi HC Finance America LLC	445,319
JSA International U.S. Holdings, LLC	160,864
MHC America Holdings Corporation	73,434
Mitsubishi HC Capital America, Inc.	72,411
MHC Capital & Finance (Hong Kong) Limited	60,571
Mitsubishi HC Capital (U.S.A.) Inc.	48,811
Jackson Square Aviation Ireland Ltd.	36,831
Bangkok Mitsubishi HC Capital Co., Ltd.	35,214
PT. Mitsubishi HC Capital and Finance Indonesia	26,292
Mitsubishi HC Capital (Singapore) Pte. Ltd.	19,570
Mitsubishi HC Capital Management (China) Limited	16,931
Mitsubishi HC Capital Leasing (Beijing) Co., Ltd.	14,233
Engine Lease Finance Corporation	13,766
Mitsubishi HC Capital (Shanghai) Co., Ltd.	8,040
MHC Mobility GmbH	7,395
Mitsubishi HC Capital (Thailand) Co., Ltd.	7,360
PT.Takari Kokoh Sejahtera	6,902
Mitsubishi HC Capital Canada Leasing, Inc.	6,363
Mitsubishi HC Capital Canada, Inc.	5,874
MHC Mobility Holding B.V.	5,447
Dialease Maritime S.A.	1,967
PT.Arthaasia Finance	1,333
Other	485
Subtotal	1,650,174

(4) Guarantee obligations, etc. for bank borrowings other than of subsidiaries and associates (including commitment to guarantee)

	(Millions of yen)
Employee (residential funds)	26
Total	1,707,840

5. Monetary claims and liabilities related to subsidiaries and associates

	(Millions of yen)
Short-term monetary claims	134,775
Long-term monetary claims	3,074
Short-term monetary liabilities	51,874
Long-term monetary liabilities	24,985

6. The outstanding amounts of receivables generating from contracts with customers, contract assets, and contract liabilities are as follows:

	(Millions of yen)
Receivables from contracts with customers (*1)	2,513
Contract assets	-
Contract liabilities (*2)	2,446

Notes: 1. Primarily included in lease and other receivables in the non-consolidated balance sheet.
2. Primarily included in advances received - lease in the non-consolidated balance sheet.

<Notes on non-consolidated statement of income>

1. Displayed figures are rounded down to the nearest million yen.
2. Transaction volume with subsidiaries and associates

	(Millions of yen)
Revenues	50,563
Cost of revenues	2,219
Selling, general and administrative expenses	4,002
Purchase of leased assets, etc.	19,878
Other transaction volume except operating transactions	39,363

3. Breakdown of capital costs

	(Millions of yen)
Interest expenses	17,909
Interest income	(92)
Total	17,816

<Notes on non-consolidated statement of changes in equity>

1. Displayed figures are rounded down to the nearest million yen.
2. Matters related to the type and number of treasury shares (Thousands of shares)

	Number of shares at the beginning of the current fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at the end of the current fiscal year
Treasury shares				
Common shares (Note)	4,368	26,984	296	31,056
Total	4,368	26,984	296	31,056

Notes: 1. The increase of 26,984 thousand in treasury shares of common shares is due primarily to the acquisition of 26,980 thousand common shares of former Mitsubishi UFJ Lease & Finance Company Limited, which was owned by former Hitachi Capital Corporation, and to the purchase of four thousand shares less than one unit.

2. The decline of 296 thousand treasury shares of common shares was due to the exercising of stock options.

<Notes on tax effect accounting>

1. Breakdown of deferred tax assets and deferred tax liabilities by main causes

(1) Deferred tax assets

	(Millions of yen)
Retained earnings from designated foreign subsidiaries	18,359
Advances received - lease	8,380
Allowance for doubtful accounts	6,881
Shares of subsidiaries and associates, etc.	6,520
Asset retirement obligations	4,603
Other	16,937
Subtotal of deferred tax assets	61,683
Valuation allowance amount	(6,798)
Total of deferred tax assets	54,885

(2) Deferred tax liabilities

	(Millions of yen)
Valuation difference on available-for-sale securities	(5,345)
Exceptions to deferred payment basis related to lease transfers	(5,228)
Other	(4,560)
Total deferred tax liabilities	(15,134)
Net total of deferred tax assets	39,750

2. Reconciliation of difference between the statutory effective tax rate and the actual effective tax rate of income taxes after application of tax effect accounting

	(%)
Statutory effective tax rate	30.6
(Adjustments)	
Items never included in income, such as dividend income	(16.3)
Retained earnings from designated foreign subsidiaries	3.6
Increase in valuation allowance	1.3
Other	0.3
Actual effective tax rate of income taxes after application of tax effect accounting	19.5

<Notes on related-party transactions>

(1) Subsidiaries, affiliates, etc.

Type	Name of company	Holding (owned) ratio of voting rights, etc.	Relationship with the related party	Detail of transactions	Transaction amount (Millions of yen)	Accounting title	Balance at end of fiscal year (Millions of yen)
Subsidiary	Shutoken Leasing Co., Ltd.	(Ownership) Direct 70.71%	Lending business funds	Lending business funds	132,900	Loans receivable from subsidiaries and associates	114,697
				Receiving interest income	274	–	–
Subsidiary	Mitsubishi HC Business Lease Corporation	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	9,985	Loans receivable from subsidiaries and associates	138,975
				Receiving interest income	304	–	–
Subsidiary	Mitsubishi HC Capital Community Corporation	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	5,402	Loans receivable from subsidiaries and associates	62,132
				Receiving interest income	226	–	–
Subsidiary	Mitsubishi HC Capital Property Inc.	(Ownership) Direct 100%	Lending business funds Property leasing	Lending business funds	23,900	Loans receivable from subsidiaries and associates	80,500
				Receiving interest income	585	–	–
				Receiving lease fees	13,173	Investments in leases	58,528
				Payment of land fees	693	Long-term guarantee deposits	355
				–	–	Long-term guarantee deposits received	23,533
Subsidiary	Diamond Asset Finance Company Limited	(Ownership) Direct 100%	Lending business funds	Lending business funds	22,000	Loans receivable from subsidiaries and associates	164,587
				Receiving interest income	1,183	–	–
Subsidiary	Mitsubishi HC Capital Realty Inc.	(Ownership) Direct 100%	Lending business funds	Lending business funds	12,840	Loans receivable from subsidiaries and associates	76,377
				Receiving interest income	250	–	–

Type	Name of company	Holding (owned) ratio of voting rights, etc.	Relationship with the related party	Detail of transactions	Transac-tion amount (Millions of yen)	Accounting title	Balance at end of fiscal year (Millions of yen)
Subsidiary	Mitsubishi HC Capital Energy Inc.	(Ownership) Direct 100%	Lending business funds	Lending business funds	44,356	Loans receivable from subsidiaries and associates	77,266
				Receiving interest income	428	–	–
Subsidiary	Mitsubishi HC Capital Auto Lease Corporation	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	17,357	Loans receivable from subsidiaries and associates	84,291
				Receiving interest income	221		
Subsidiary	JAPAN MEDICAL LEASE CORPORATION	(Ownershi p) Direct 100%	Lending business funds	Lending business funds	56,600	Loans receivable from subsidiaries and associates	81,405
				Receiving interest income	218	–	–
Subsidiary	MHC Capital & Finance (Hong Kong) Limited	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	77,480	–	–
Subsidiary	Mitsubishi HC Capital UK PLC	(Ownership) Direct 100%	Guarantee of obligation	Guarantee of obligation	574,752	–	–
Subsidiary	Mitsubishi HC Capital America, Inc.	(Ownership) Direct 100%	Guarantee of obligation	Guarantee of obligation	72,411	–	–
Subsidiary	Jackson Square Aviation Ireland Limited	(Ownership) Indirect 100%	Lending business funds	Lending business funds	13,891	Loans receivable from subsidiaries and associates	163,478
				Receiving interest income	5,553	–	—
Subsidiary	JSA International U.S. Holdings, LLC	(Ownership) Indirect 100%	Lending business funds Guarantee of obligation	Lending business funds	20,299	Loans receivable from subsidiaries and associates	80,097
				Receiving interest income	2,814	–	–
				Guarantee of obligation	160,864	–	–
Subsidiary	MHC America Holdings Corporation	(Ownership) Direct 100%	Guarantee of obligation Underwriting capital increase Sharing officers	Guarantee of obligation	73,434	–	–
				Underwriting capital increase	103,971	–	–
Subsidiary	Mitsubishi HC Finance America LLC	(Ownership) Indirect 100%	Guarantee of obligation Sharing officers	Guarantee of obligation	445,319	–	–

(2) Fellow subsidiaries, etc.

Type	Name of company	Holding (owned) ratio of voting rights, etc.	Relationship with the related party	Detail of transactions	Transaction amount (Millions of yen)	Accounting title	Balance at end of fiscal year (Millions of yen)
Subsidiary of other subsidiaries and associates	MUFG Bank, Ltd.	(Owned) Direct 3.50%	Borrowing business capital	Borrowing short-term business capital	412,794	Short-term borrowings	43,113
				Borrowing long-term business capital	–	Long-term borrowings	355,225
				Payment of interest income	8,206	–	–
Subsidiary of other subsidiaries and associates	Lawson, Inc. (*4)	–	Lease transaction	Receiving lease fees	17,957	Investments in leases	111,623

Notes: 1. The transactions under Article 112, paragraph (2) of the Regulations on Corporate Accounting are omitted.
2. The interest rate of business capital loans, lease transactions (including property leases), and borrowings are decided by considering market interest rates, etc.
3. Loans in the pooling system where funds of subsidiaries are collected to the Company, which offers such funds to subsidiaries who have demand for funds. The interest rate on such a loan is determined after market interest rates, etc. are taken into consideration. In this connection, the transaction amount of capital loans is presented in the amount of increase or decrease from the beginning balance in the current fiscal year.
4. Balance at end of fiscal year includes the amount of lease contracts, which aim to disperse credit risk, including interest, presented in the non-consolidated balance sheet.

<Notes on per share information>

Equity per share	¥612.00
Earnings per share	¥35.93

<Notes on significant subsequent events>

None.

<Notes on company subject to consolidated dividend regulations>

The Company is subject to consolidated dividend regulations.

<Other notes>

Notes on business combinations

Business combination by acquisition

Business integration with Hitachi Capital Corporation

Mitsubishi UFJ Lease & Finance Company Limited and Hitachi Capital Corporation made business integration as of April 1, 2021 and renamed the tradename "Mitsubishi HC Capital Inc." on the same day. The detail is described in <Other notes>, Notes on business combinations in the Notes on Consolidated Financial Statements.

1. Amount of gain on bargain purchase and occurrence cause

(1) Amount of gain on bargain purchase

¥222 million

(2) Occurrence cause

After the identification of recognizable assets and liabilities on the business combination day and after the completions of their market values calculation and the subsequent distribution of the acquisition costs, net assets on the business combination day surpassed the acquisition costs and, therefore, the difference was recognized as gain on bargain purchase.

2. Amounts and details of assets accepted and liabilities underwritten on the business combination day

	(Millions of yen)
Current assets	1,215,401
Non-current assets	569,955
Deferred assets	978
Total assets	1,786,334
Current liabilities	483,181
Non-current liabilities	904,496
Total liabilities	1,387,678