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OTHER MATTERS SUBJECT TO THE ELECTRONIC PROVISION MEASURES FOR THE 53rd ANNUAL GENERAL MEETING OF SHAREHOLDERS (MATTERS OMITTED FROM DOCUMENTS DELIVERED TO SHAREHOLDERS)

(April 1, 2023 to March 31, 2024)

Mitsubishi HC Capital Inc.

Matters concerning the Status of the Group

Changes in assets and income (loss)

1) Changes in assets and income (loss) of the Group

(Millions of yen)

Category	FY2020 50th term	FY2021 51st term	FY2022 52nd term	FY2023 53rd term (Current fiscal year)
Revenues	947,658	1,765,559	1,896,231	1,950,583
Recurring income	64,968	117,239	146,076	151,633
Net income attributable to owners of the parent	55,314	99,401	116,241	123,842
Earnings per share	¥62.07	¥69.24	¥80.95	¥86.30
Total assets	6,014,896	10,328,872	10,726,196	11,149,858
Total equity	817,906	1,333,467	1,551,029	1,705,345

(Notes) 1. Effective from the 51st term, the Company changed its accounting policies for "Method for How to Post Re-leasing Revenues in Lease Transactions," "Method for Posting Lease Transactions as Finance," and "Method for Posting Deferred Assets (Bond Issuance Cost)," and the new accounting policies have been retrospectively applied to the figures of the 50th term.

2. A performance-based stock compensation plan has been introduced effective from this fiscal year under review. Company shares held in a trust as part of a performance-based stock compensation plan are included in the number of treasury shares deducted in the calculation of the weighted average number of shares outstanding for the purpose of calculating earnings per share.

2) Changes in assets and income (loss) of the Company

(Millions of yen)

Category	FY2020 50th term	FY2021 51st term	FY2022 52nd term	FY2023 53rd term (Fiscal year under review)
Revenues	492,019	838,475	764,506	755,707
Recurring income	61,392	34,008	79,910	73,293
Net income	63,399	51,584	82,204	82,798
Earnings per share	¥71.14	¥35.93	¥57.24	¥57.70
Total assets	4,181,294	5,700,025	5,317,966	4,963,571
Total equity	557,554	880,601	881,212	851,108

(Notes) 1. Effective from the 51st term, the Company changed its accounting policies for "Method for How to Post Re-leasing Revenues in Lease Transactions," "Method for Posting Lease Transactions as Finance," and "Method for Posting Deferred Assets (Bond Issuance Cost)," and the new accounting policies have been retrospectively applied to the figures of the 50th term.

2. A performance-based stock compensation plan has been introduced from this fiscal year under review. Company shares held in a trust as part of a performance-based stock compensation plan are included in the number of treasury shares deducted in the calculation of the weighted average number of shares outstanding for the purpose of calculating earnings per share.

Principal business

The Group consists of the Company, its 437 subsidiaries and 89 affiliates. Other affiliated companies include Mitsubishi Corporation and Mitsubishi UFJ Financial Group, Inc.

The Group is conducting its business in the seven segments of "Customer Solutions," "Global Business," "Environment & Energy," "Aviation," "Logistics," "Real Estate," and "Mobility."

The main businesses of each reportable segment are as follows.

Reportable segments	Main business
Customer Solutions	Finance solutions business for companies and government agencies, energy-saving solutions business, sales finance business provided through collaboration with vendors, real estate leasing business, and financial service business
Global Business	Finance solutions business and sales finance business in partnership with vendors in Europe, the Americas, China and ASEAN region
Environment & Energy	Renewable energy business, environment-related finance solutions business
Aviation	Aircraft leasing business, aircraft engine leasing business
Logistics	Marine container leasing business, railway freight car leasing business
Real Estate	Real estate financing business, real estate investment business, real estate asset management business
Mobility	Auto leasing business and supplementary services

In accordance with the organizational changes effective April 1, 2023, the name of the reportable segment "Environment, Energy & Infrastructure" was changed to "Environment & Energy" from the current fiscal year.

Locations

1) The Company

Head Office	Chiyoda-ku, Tokyo
Branches, etc.	Nishi-Shimbashi Office, Nagoya Office, Akasaka Office, Makuhari Office, Osaka Office, Hokkaido Branch (Sapporo), Tohoku Branch (Sendai), Omiya Branch, Greater Tokyo Business Department No.4 (Shinjuku), Yokohama Branch, Kariya Business Department, Hamamatsu Branch, Kyoto Branch, Chushikoku Branch (Hiroshima), Kyushu Branch (Fukuoka)

2) Subsidiary

As listed in "Status of major subsidiaries" of the Business Report.

Status of employees

Status of Group employees

Segment name	Number of employees
Customer Solutions	2,505 (down 122 from the end of the previous fiscal year)
Global Business	4,131 (down 147 from the end of the previous fiscal year)
Environment & Energy	165 (down 9 from the end of the previous fiscal year)
Aviation	229 (up 17 from the end of the previous fiscal year)
Logistics	167 (down 16 from the end of the previous fiscal year)
Real Estate	229 (up 41 from the end of the previous fiscal year)
Mobility	294 (up 63 from the end of the previous fiscal year)
Company-wide (common)	704 (down 51 from the end of the previous fiscal year)
Total	8,424 (down 224 from the end of the previous fiscal year)

(Notes) 1. The number of employees excludes those dispatched from the Group to outside companies but includes those dispatched from outside companies to the Group.

2. The employees indicated as Company-wide (common) belong to administrative divisions, which cannot be classified in any specific segment.

Main lenders

Lender	Amount
	Millions of yen
MUFG Bank, Ltd.	1,395,572
Mizuho Bank, Ltd.	471,228
Sumitomo Mitsui Banking Corporation	415,051
Sumitomo Mitsui Trust Bank, Limited	252,357
The Norinchukin Bank	224,795

Other important matters concerning the status of the Group

None.

Matters concerning the Company's shares

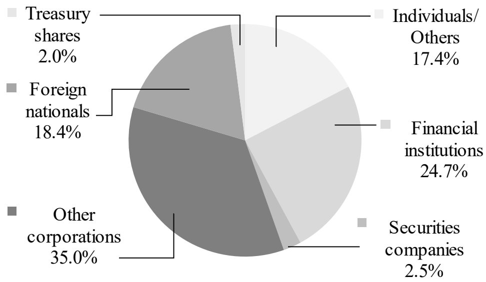
(1) Total number of authorized shares 4,800,000,000

(2) Total number of issued shares 1,437,107,690

(Excluding 29,804,554 treasury shares.)

(3) Number of shareholders 414,207

Ownership of the Company's shares (Reference)



(4) Major shareholders

Name	Shares held	Ownership (Note)
Mitsubishi Corporation	264,044,396 shares	18.37%
Mitsubishi UFJ Financial Group, Inc.	208,345,981 shares	14.49%
The Master Trust Bank of Japan, Ltd. (Trust Account)	125,617,500 shares	8.74%
Custody Bank of Japan, Ltd. (Trust Account)	65,927,600 shares	4.58%
MUFG Bank, Ltd.	50,348,620 shares	3.50%
Mitsubishi UFJ Trust and Banking Corporation	28,431,000 shares	1.97%
Meiji Yasuda Life Insurance Company	27,990,390 shares	1.94%
STATE STREET BANK WEST CLIENT - TREATY 505234	16,345,263 shares	1.13%
JP MORGAN CHASE BANK 385632	12,019,701 shares	0.83%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,419,725 shares	0.79%

(Note) Treasury shares (29,804,554 shares) are excluded when calculating ownership.

(5) Other important matters concerning the Company's shares

None.

Matters concerning share acquisition rights

(1) Overview of share 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 Directors who are Audit & Supervisory Committee Members and Outside Directors)	Number of share acquisition rights	Type and number of shares to be delivered upon exercising share acquisition rights	Amount to be paid for share acquisition rights	Amount of assets to be contributed upon exercising share acquisition rights	Share acquisition rights exercise period	Major conditions to exercise share acquisition rights
9th share 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 share 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 share 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 share 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 share acquisition rights (June 25, 2021)	3	880	Common shares of the Company 88,000 shares	¥499 per share	¥1 per share	July 16, 2021 to July 15, 2051	(*)
14th share acquisition rights (June 28, 2022)	4	1,150	Common shares of the Company 115,000 shares	¥511 per share	¥1 per share	July 16, 2022 to July 15, 2052	(*)

Notes: 1. In addition to exercising rights within the exercise period, share acquisition rights holders may execute their share 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 Share Acquisition Rights" entered into between the Company and the share acquisition rights holders.

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

None.

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

None.

Matters concerning the Company's officers

Overview of limited liability agreements

The Company has entered into limited liability agreements with non-Executive Directors, namely Takahiro Yanai, Hiroyasu Nakata, Yuri Sasaki, Takuya Kuga, Akira Hamamoto, Koichiro Hiraiwa, Hiroko Kaneko, and Masayuki Saito, as described below.

- In the event that a non-Executive Director is liable to the Company as a result of negligence in their duties, that liability shall be limited to the minimum liability set forth in Article 425, Paragraph 1 of the Companies Act.
- The above limitation is recognized only when the non-Executive Director performed the duty in question in good faith and without gross negligence.

Matters concerning directors and officers liability insurance agreement

The Company plans to enter into a directors and officers liability insurance agreement as provided for in Article 430, Paragraph 3, Item 1 of the Companies Act with an insurance company. The agreement will cover losses incurred from damages compensation, legal fees, etc. in cases where an insured receives a claim for damages from a shareholder or third party. In addition, as a measure to ensure that the lawfulness of the execution of duties of the insured person is not compromised, the following losses, etc. are excluded from coverage.

1) Damage arising from the fact that the insured illegally obtains private gain or benefit
2) Damage arising from criminal acts of the insured
3) Damage arising from the insured's acts committed with the knowledge that they violate laws or regulations

The insureds under this agreement are the Directors, Directors who are Audit & Supervisory Committee Members, Audit & Supervisory Board Members, and Executive Officers, etc. of the Company and its subsidiaries in Japan. There is no insurance premium to be paid by the insureds.

Matters concerning Outside Directors

1) Concurrent positions of executive Directors, etc. at other corporations, etc. and the Company's relationships to those corporations, etc.

Category	Name	Other corporation	Concurrent position	Relationship to the other corporation, etc.
Director	Takuya Kuga	Mitsubishi Corporation	Executive Vice President	There is a trade relationship such as lease agreements between the Company and Mitsubishi Corporation. Mitsubishi Corporation is a major shareholder of the Company.
Director (Audit & Supervisory Committee Member)	Koichiro Hiraiwa	Dream Estate Tokyo Inc.	Representative Director	There is no significant trade or other relationship between the Company and Dream Estate Tokyo Inc.

2) Concurrent positions of Outside Officers at other corporations, etc. and the Company's relationships to those other corporations, etc.

Category	Name	Other corporation	Concurrent position	Relationship to the other corporation, etc.
Director	Yuri Sasaki	Meiji Yasuda Life Insurance Company	Outside Director	There is a trade relationship such as lease agreements between the Company and Meiji Yasuda Life Insurance Company. Also, Meiji Yasuda Life Insurance Company is a shareholder of the Company holding 1.94% of its shares.
Director (Audit & Supervisory Committee Member)	Hiroko Kaneko	Kanagawa Chuo Kotsu Co., Ltd.	Outside Director (Audit & Supervisory Committee Member)	There is no significant trade or other relationship between the Company and Kanagawa Chuo Kotsu Co., Ltd.
		Development Bank of Japan Inc.	Outside Audit & Supervisory Board Member	There is a trade relationship such as borrowing funds between the Company and Development Bank of Japan Inc.
		Shin-Etsu Chemical Co., Ltd.	Outside Audit & Supervisory Board Member	There is a trade relationship such as lease agreements between the Company and Shin-Etsu Chemical Co., Ltd.

3) Main activities

Category	Name	Attendance at meetings	Main activities
Director	Hiroyasu Nakata	Board of Directors meetings: 15/15 Governance Committee : 6/6 Nomination Committee : 6/6 Compensation Committee : 7/7	Leveraging his deep knowledge as a legal expert, Hiroyasu Nakata provides comments as necessary and appropriate when proposals are discussed. In so doing, he contributes to proper decision-making by the Board of Directors, etc. and supervision of management in general.
Director	Yuri Sasaki	Board of Directors meetings: 15/15 Governance Committee : 6/6 Nomination Committee : 6/6 Compensation Committee : 7/7	Leveraging her academic knowledge as a university professor, Yuri Sasaki provides comments as necessary and appropriate when proposals are discussed based on her exceptional knowledge and abundant experience as a researcher on international finance. In so doing, she contributes to proper decision-making by the Board of Directors, etc. and supervision of management in general.
Director	Takuya Kuga	Board of Directors meetings: 13/15 Governance Committee : 6/6 Nomination Committee : 6/6 Compensation Committee : 7/7	Leveraging his extensive management experience and high level of insight into domestic and foreign business from working at a leading Japanese general trading company, Takuya Kuga provides comments as necessary and appropriate from a practical standpoint when proposals are discussed. In so doing, he contributes to proper decision-making by the Board of Directors, etc. and supervision of management in general.
Director (Audit & Supervisory Committee Member)	Koichiro Hiraiwa	Board of Directors meetings: 15/15 Audit & Supervisory Committee : 15/15 Governance Committee : 6/6 Nomination Committee : 6/6 Compensation Committee : 7/7	Leveraging his experience with Japan's central bank and a leading Japanese telecommunications company, as well as his extensive expertise in managing major hotels, Koichiro Hiraiwa conducts audits from a neutral and objective standpoint and provides comments as necessary and appropriate when proposals are discussed. In so doing, he contributes to ensuring the soundness of the Company's management.
Director (Audit & Supervisory Committee Member)	Hiroko Kaneko	Board of Directors meetings: 15/15 Audit & Supervisory Committee : 15/15 Governance Committee : 6/6 Nomination Committee : 6/6 Compensation Committee : 7/7	Leveraging her vast experience at a leading auditing firm and as a university professor, as well as her in-depth knowledge as an accounting expert, Hiroko Kaneko conducts audits from a neutral and objective standpoint and provides comments as necessary and appropriate when proposals are discussed. In so doing, she contributes to ensuring the soundness of the Company's management.

Category	Name	Attendance at meetings	Main activities
Director (Audit & Supervisory Committee Member)	Masayuki Saito	Board of Directors meetings: 14/15 Audit & Supervisory Committee : 15/15 Governance Committee : 6/6 Nomination Committee : 6/6 Compensation Committee : 6/7	Leveraging his extensive management experience and his expertise on finance and accounting departments from a leading Japanese manufacturer, Masayuki Saito conducts audits from a neutral and objective standpoint and provides comments as necessary and appropriate when proposals are discussed. In so doing, he contributes to ensuring the soundness of the Company's management.

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	¥264 million
(ii) Total amount of cash and other property benefits to be paid to the Accounting Auditor by the Company and its consolidated subsidiaries	¥495 million

A total of 16 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 & Supervisory Committee agreed to remuneration for Accounting Auditor

The Audit & 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 & Supervisory Committee shall deliberate the dismissal of the Accounting Auditor. If the Audit & Supervisory Committee determines that the Accounting Auditor must be promptly removed, the Audit & Supervisory Committee shall dismiss the Accounting Auditor based on the agreement of all members of the Audit & 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 & 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.

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, etc. 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 the various internal rules, etc. 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, etc. 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, etc. 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, etc. 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 the 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, the Board of Directors and the Audit & Supervisory Committee. The Internal Audit Department shall also ensure the effectiveness of audits by, in the case of matters requiring improvement that are identified and guidance given to the parties subject to auditing by the Group (matters requiring improvement), having the results of improvements reported to the General Manager of the Internal Audit Department of the Company after the audit, and in the case of significant matters requiring improvement, having the results reported to the Representative Director.
(3) The General Manager of the Internal Audit Department shall build collaborative relationships with the Audit & 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 periodically and when appropriate, 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, etc. 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, etc. 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 internal 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, etc. 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, etc., 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, etc.

[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 & Supervisory Committee Member(s) selected by the Audit & 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 the internal whistleblowing system through reports from the Compliance Committee.

(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, etc.

(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, etc.

[Framework Concerning Employees who Assist with Duties of the Audit & Supervisory Committee]

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

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

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

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

[Framework for reporting to the Audit & Supervisory Committee]
(1) Directors, Executive Officers and other relevant executives, and employees must repost the following matters without delay to the Audit & Supervisory Committee or the Audit & Supervisory Committee Member(s) selected by the Audit & 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 & 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 & Supervisory Committee or the Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee without delay, if any of the matters set forth in the preceding paragraph occurs.
(3) The Audit & Supervisory Committee Member(s) selected by the Audit & 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 & Supervisory Committee, Directors, Executive Officers and other relevant executives and employees must attend the Audit & Supervisory Committee meeting and explain matters with necessary materials. In addition, they have a similar duty to explain if required by the Audit & Supervisory Committee Member(s) selected by the Audit & Supervisory Committee.
(5) The Company shall not treat the persons who have made the reports under (1) to the Audit & Supervisory Committee or any Audit & 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 & Supervisory Committee Members]
(1) The Audit & Supervisory Committee Office shall promptly process expenses or liabilities when each Audit & 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 & Supervisory Committee Member.

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

(1) The Audit & 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 & Supervisory Committee may request opinions from lawyers, the Accounting Auditor, etc. as necessary, for cases that require expertise.

(3) The Audit & Supervisory Committee should receive in advance an audit plan from the Accounting Auditor, and regularly receive an audit implementation report; in addition, the Audit & Supervisory Committee should conduct an interview as necessary, regarding the implementation of audit.

(4) The Audit & Supervisory Committee should make efforts to enhance the effectiveness of the audit, by cooperating with the 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 & Supervisory Committee Member selected by the Audit & Supervisory Committee and the duties of the Audit & Supervisory Committee, may attend the Executive Committee, committees and other important meetings and make necessary statements thereat, and view important documents.

(6) An Audit & Supervisory Committee Member selected by the Audit & 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 & Supervisory Committee Member selected by the Audit & Supervisory Committee.

(8) The Internal Audit Department should make a report to the Audit & 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 & 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 & Supervisory Committee, based on the Audit & Supervisory Committee Regulations, standards for audit, etc. of the Audit & Supervisory Committee, and standards for the Audit & 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 53rd fiscal year (fiscal year ended March 31, 2024) 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 six Sub-Committees (risk management, information disclosure, compliance, ALM, sustainability, and IT) as consultative bodies under the Executive Committee, and

each of the Sub-Committees examine and report controlling matters (including matters of the Group companies) 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 an organization responsible for the internal rules. The Company receives timely reports from this organization and provides necessary advice and instruction.

(3) The Company has documented the content of internal controls related to 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 education, 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 the department in charge of 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, Board of Directors and the Audit & Supervisory Committee. In addition, results of improvement for matters requiring improvement where findings have been made and guidance given in audits (matters requiring

improvement) have been reported to the General Manager of the Internal Audit Department and audit effectiveness has been ensured through PDCA.

(3) The General Manager of the Internal Audit Department of has exchanged relevant information in a periodical and timely manner with the Audit & 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 & 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 two weeks, 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 & Supervisory Committee Members that are elected by the Audit & 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 & Supervisory Committee]

(1) The Company has installed the Audit & 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 & Supervisory Committee, reflecting the independence of the Audit & Supervisory Committee.

[Framework for reporting to the Audit & Supervisory Committee]

(1) The Company has stipulated in its internal control system the significant matters that shall be reported to the Audit & Supervisory Committee or to its members elected by the Audit & 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 & 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 & Supervisory Committee Members are one of the internal whistleblowing system windows.

(3) For efficient auditing, the Audit & Supervisory Committee Members who are elected by the Audit & 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 & Supervisory Committee Members]

(1) The Company has stipulated in the audit standards of the Audit & Supervisory Committee that Audit & 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 & Supervisory Committee Members]

(1) The Audit & 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 & Supervisory Committee Members that are elected by the Audit & 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 & Supervisory Committee Members selected by the Audit & Supervisory Committee.

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

(Reference) The Company revised a portion of its systems for ensuring appropriate business operation on April 1, 2024. The main revisions are as follows.

i) For the system for group management, the Company has clarified that prior approval, prior consultation, or reporting is required for each item.

ii) The reporting flow to the Representative Director regarding internal controls has been clarified.

Consolidated statement of changes in equity

(April 1, 2023 to March 31, 2024)

(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, 2023	33,196	547,344	710,989	(19,158)	1,272,372
Cumulative amount effected from changes in the accounting policies			(7,957)		(7,957)
Balance at beginning of the current period reflecting changes in the accounting policies	33,196	547,344	703,032	(19,158)	1,264,414
Changes during fiscal year					
Dividends from surplus			(51,723)		(51,723)
Net income attributable to owners of the parent			123,842		123,842
Change in ownership interest of parent due to transactions with non-controlling interests		(966)			(966)
Purchase of treasury shares				(2,134)	(2,134)
Disposal of treasury shares		(109)		398	288
Net changes in items other than shareholders' equity					
Total changes during fiscal year	–	(1,076)	72,119	(1,735)	69,307
Balance at end of period as of March 31, 2024	33,196	546,268	775,152	(20,894)	1,333,722

	Accumulated other comprehensive income					Share 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, 2023	14,817	53,051	186,545	1,985	256,400	2,138	20,118	1,551,029
Cumulative amount effected from changes in the accounting policies								(7,957)
Balance at beginning of the current period reflecting changes in the accounting policies	14,817	53,051	186,545	1,985	256,400	2,138	20,118	1,543,072
Changes during fiscal year								
Dividends from surplus								(51,723)
Net income attributable to owners of the parent								123,842
Change in ownership interest of parent due to transactions with non-controlling interests								(966)
Purchase of treasury shares								(2,134)
Disposal of treasury shares								288
Net changes in items other than shareholders' equity	169	(16,234)	105,931	5,276	95,143	(271)	(1,906)	92,965
Total changes during fiscal year	169	(16,234)	105,931	5,276	95,143	(271)	(1,906)	162,273
Balance at end of period as of March 31, 2024	14,987	36,817	292,477	7,262	351,544	1,866	18,211	1,705,345

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: 245

The names of the major consolidated subsidiaries are listed in "Status of major subsidiaries" of the Business Report. The following companies were included in the scope of consolidation from the current fiscal year: MHC Energy Europe ApS and three other companies due to their establishment; and PFI MC One Y.K. and 19 other companies due to acquisition of equity, etc.

The following companies were excluded from the scope of equity method application but included in the scope of consolidation during the current fiscal year: CenterPoint Development Inc. and one other company due to additional acquisition of shares, etc.

The following companies were removed from the scope of consolidation from the current fiscal year: JSA Cayman 10130, Ltd. and 16 other companies due to the completion of liquidation, etc.; Shutoken Leasing Co., Ltd. and six other companies due to the sale of their shares; Japan Infrastructure Initiative Company Limited and six other companies due to mergers; and Shutoken Insurance Property Co., Ltd. and three other companies due to a reduction in the Company's ownership ratio due to a capital increase through third-party allocation.

(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, 141 companies are proprietors conducting leasing businesses primarily through silent partnerships. Their assets, liabilities, and gains/losses are not attributable to the pertinent subsidiaries and the Company has barely any transactions with the subsidiaries. Therefore, they are excluded from the scope of consolidation.

Of the non-consolidated subsidiaries, 51 companies are small businesses. Their total assets, revenues, net income or loss (amount corresponding to equity share), retained earnings (amount corresponding to equity share), 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: 67

Names of major equity method affiliates

Mitsubishi Electric Financial Solutions Corporation
Mitsubishi Auto Leasing Corporation
Chubu Electric Power & MHC Germany Transmission GmbH

The following companies are included in equity method affiliated companies for the current fiscal year: Konan Urutra Datsutanso Suishin Kiko G.K. and six other companies due to their establishment.

The following companies are excluded from the scope of equity method application during the current fiscal year: Mirai Soden Tsu Hakusan LLC and six other companies due to the sale of their equity; and Mitsubishi HC Capital Auto Lease Corporation due to an absorption-type merger with Mitsubishi Auto Leasing Corporation as the surviving company.

The following companies were excluded from the scope of equity method application but included in the scope of consolidation during the current fiscal year: CenterPoint Development Inc. and one other company due to additional acquisition of shares, etc.

(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, 141 companies are proprietors conducting leasing businesses primarily through silent partnerships. Their gains/losses are not attributable to the pertinent subsidiaries and the Company has barely any transactions with the subsidiaries. Therefore, they are excluded from the scope of equity method application.

Of the non-consolidated subsidiaries and the affiliates, 50 non-consolidated subsidiaries and 22 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:	2
May 31:	1
August 31:	2
September 30:	4
October 31:	14
November 30:	4
December 31:	116
January 31:	29

(2) Consolidated subsidiaries with balance sheet dates of the ends of April 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 September are consolidated in financial statements based on provisional closings conducted as of the end of December.

Further, for 11 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 are adjusted as needed in consolidation.

4. Matters related to accounting policies

(1) Valuation standards and methods for important assets

1) 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.

2) Derivatives

Fair value method

3) Inventories

Cost method based on the specific-cost method

(Consolidated 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

1) 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.

2) Other operating assets

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

3) Own-used assets

The Company and domestic consolidated subsidiaries primarily adopt the declining balance method.

However, for buildings (excluding equipment attached to buildings), as well as equipment attached to buildings and structures acquired on or after April 1, 2016, depreciation is primarily calculated using the straight-line method.

Consolidated subsidiaries outside Japan primarily adopt the straight-line method.

4) Other intangible assets (excluding goodwill)

For software (used internally), amortization is mainly 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

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 ¥6,836 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 for 12 months or the entire expected remaining period using the loss ratio that is adjusted after past bad debt records and current and future economic situations, etc. are counted.

In addition, the consolidated subsidiaries adopting U.S. accounting standards outside Japan post allowance for doubtful accounts after measuring their projected credit loss for the entire expected remaining period using the loss ratio that is adjusted after past bad debt records and current and future economic situations, etc. are counted.

2) 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.

3) 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.

4) 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 current fiscal year based on the internal payment rules in order to issue payment for retirement benefits of officers and executive officers.

5) Provision for share awards for directors (and other officers)

To provide for the delivery of the Company's shares for directors and other officers in accordance with the performance-based stock compensation plan, the Company books the amount expected to be paid at the end of this current fiscal year.

(4) Method of accounting for retirement benefits

1) 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.

2) 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 (14 to 15 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 (7 to 17 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

1) 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.

2) 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.

3) Accounting policy for revenue from contracts with customers

The Company 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 recognized 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 forward exchange, etc., are translated into a forward exchange 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

1) Hedge accounting methods

The Company applies the deferred hedge method.

The Company applies allocation treatment for forward exchange that meets 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 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, 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

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 uses interest rate-related derivative transactions for the purpose of locking in profit on individual projects.

Regarding foreign currency exchange rate fluctuation risks, the Company uses currency-related derivative transactions and hedges through 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.

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:

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

Hedge instruments... Interest rate swaps

Hedged 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 ¥160,977 million in investment securities and ¥763 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 Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses”)

Certain overseas consolidated subsidiaries applied ASU 2016-13 “Financial Instruments - Credit Losses” from the beginning of this current fiscal year. As a result, such subsidiaries post allowance for doubtful accounts upon initial recognition after estimating the expected credit loss over the expected remaining period.

Following the change, the beginning retained earnings balance decreased by ¥7,957 million in the consolidated statement of changes in equity.

<Notes on accounting estimates>

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. (¥1,289,006 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 ¥1,998 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 ¥102,091 million as goodwill.

(Allowance for doubtful accounts)
Regarding the allowance for doubtful accounts, the subject receivables are classified into normal receivables, highly doubtful receivables and distressed receivables based on credit information such as the business conditions and payment status of the business partners and in accordance with the Company's internal management regulations, and 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.
In addition, the consolidated subsidiaries adopting the International Financial Reporting Standards located outside Japan apply IFRS 9 "Financial Instruments," and based on the expected credit loss (ECL) model, post allowance for doubtful accounts after measuring their projected credit loss for 12 months or the entire expected remaining period using the loss ratio that is adjusted after past bad debt records and current and future economic situations, etc. are counted.
The consolidated subsidiaries adopting U.S. accounting standards located outside Japan apply Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses," and based on the current expected credit loss (CECL) model, post allowance for doubtful accounts after measuring their projected credit loss for the expected remaining period using the loss 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 ¥95,357 million as allowance for doubtful accounts.

<Additional information>

(Performance-based stock compensation plan)
During the current fiscal year, the Company introduced a performance-based stock compensation plan ("Plan") as an incentive plan for the Company's directors excluding those who are Audit & Supervisory Committee members (excluding non-executive directors and non-residents in Japan; hereinafter the same applies) and executive officers, etc. (excluding non-residents in Japan; hereinafter directors and executive officers are collectively referred to as "Directors, etc.")

1. Outline of the plan
   The Plan is a stock compensation plan for the Company's Directors, etc. where the Company shares and cash equivalent to the conversion value of the Company shares (the "Company Shares, etc.") are delivered or paid (the "Delivery, etc.") based on the achievement level of performance targets of the Medium-term Management Plan of the Company. The Company entrusts money to a trust bank in advance to acquire the Company's shares to be delivered, and the trust bank uses the cash to acquire the Company's shares. Furthermore, points are granted to Directors, etc. based on the share delivery rules established separately, and the Company shares, etc. are delivered to Directors, etc. based on such points.

2. The Company’s shares remaining in the trust
   The Company’s shares remaining in the trust are recorded as shares in Equity at the carrying amount at the trust. The carrying amount and the number of shares of these treasury shares for the current fiscal year are ¥2,318 million and 2,685 thousand shares, respectively.

<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	30,345
Installment receivables	17,423
Lease receivables and investments in leases	532,205
Operating loans receivables	162,842
Other current assets	15,867
Leased assets	1,401,102
Other operating assets	73,105
Other intangible assets	2,344
Investment securities	43,144
Other investments and other assets	72
Operating lease contract receivables	1,160
Total	2,279,614

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Short-term borrowings	836
Bonds payable (including current portion of bonds payable)	8,465
Long-term borrowings (including current portion of long-term borrowings)	896,126
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (including long-term)	565,533
Other non-current liabilities	1,274
Total	1,472,236

Note: Of the assets pledged as collateral, ¥8,562 million in operating loans receivables, and ¥18,577 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	1,274,316
Other operating assets	61,251
Own-used assets	16,138
Total	1,351,706

(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	20,246

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

(Millions of yen)

ALD MHC MOBILITY SERVICES MALAYSIA SDN. BHD.	556
Employee (residential funds)	17
Subtotal	574
Total	20,821

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 (*1)	8,661
Contract assets	–
Contract liabilities (*2)	8,942

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. Gain on step acquisitions
   This was due to acquiring all shares of CenterPoint Development Inc., and equity method affiliated company, and making the company Nanko Logistics TMK Inc., and two other companies consolidated subsidiaries.
3. Loss on sale of shares of subsidiaries and associates
   This was primarily due to selling all of the shares of Shutoken Leasing Co., Ltd., which was a consolidated subsidiary.
4. Impairment losses
   The following assets or asset groups are booked as impairment loss.

(1) Property, plant and equipment

Use	Type	Impairment loss (Millions of yen)
Leased assets	Transportation equipment (aircraft)	1,998
Leased assets	Transportation equipment (aircraft engines)	715

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 to cost of revenues.
The recoverable values of said assets are calculated mainly based on their utility value and the future cash flow is discounted mainly by 5.1%.

(2) Asset group conducting solar power generation business

Use	Type	Impairment loss (Millions of yen)
Assets for solar power generation business	Other operating assets, etc.	5,816

The Group conducts asset grouping for each project of the solar power generation business. For certain projects of the solar power generation business, the book value of other operating 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 to cost of revenues.

The recoverable values of said assets are calculated based on their utility value and the future cash flow is discounted by 3.9%.

<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	1,466,912	–	–	1,466,912
Total	1,466,912	–	–	1,466,912

3. Matters related to dividends

(1) Dividend payment amount

1) The following was resolved at the Board of Directors meeting held on May 23, 2023.

- Matters related to common share dividends
  (a) Total amount of dividends ¥25,856 million
  (b) Dividend amount per share ¥18.00
  (c) Record date March 31, 2023
  (d) Effective date June 8, 2023

2) The following was resolved at the Board of Directors meeting held on November 10, 2023.

- Matters related to common share dividends
  (a) Total amount of dividends ¥25,866 million
  (b) Dividend amount per share ¥18.00
  (c) Record date September 30, 2023
  (d) Effective date December 11, 2023

(Note)The total amount of dividends resolved at the Board of Directors meeting held on November 10, 2023 includes ¥48 million in dividends on the Company’s shares held by the Trust as part of the performance-based stock compensation plan.

(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 22, 2024.

- Matters related to common share dividends
  (a) Total amount of dividends ¥27,305 million
  (b) Source of dividends Retained earnings
  (c) Dividend amount per share ¥19.00
  (d) Record date March 31, 2024
  (e) Effective date June 7, 2024

(Note)The total amount of dividends resolved at the Board of Directors meeting held on May 22, 2024 includes ¥51 million in dividends on the Company’s shares held by the Trust as part of the performance-based stock compensation plan.

4. Matters related to share 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 share acquisition rights
September 27, 2012	Common shares	37,500	375
September 26, 2013	Common shares	57,900	579
September 25, 2014	Common shares	113,300	1,133
September 29, 2015	Common shares	156,800	1,568
September 29, 2016	Common shares	231,600	2,316
September 27, 2017	Common shares	336,700	3,367
June 28, 2018	Common shares	287,500	2,875
June 25, 2019	Common shares	384,200	3,842
June 24, 2020	Common shares	400,300	4,003
June 25, 2021	Common shares	841,100	8,411
June 28, 2022	Common shares	855,400	8,554

<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

1) 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.

2) 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.

3) 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.

4) Price fluctuation risk management

Price fluctuation risks of securities 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.

5) 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. Furthermore, 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.

6) 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
Because certain assumptions are adopted to calculate the market value of financial instruments, 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 in partnerships, etc. where the net amount equivalent to the equity interests were recorded in the consolidated balance sheet with the handling pursuant to paragraph (24-16) of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) applied 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 value: 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 with a market value 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				
Shares	19,072	–	22,340	41,412
Government bonds, municipal bonds, etc.	5,079	–	–	5,079
Bonds payable	–	26,947	–	26,947
Other	–	5,852	1,077	6,929
(2) Derivative transactions(*1,*2)				
Currencies related	–	(62,283)	–	(62,283)
Interests related	–	36,092	–	36,092
Total assets	24,152	6,608	23,417	54,177

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

(*2) Of the derivative transactions, the amount of the transactions adopting hedge accounting in the consolidated balance sheet records ¥(24,941) 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 with 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)					165,351	
Allowance for doubtful accounts (*2)					(729)	
	–	–	169,137	169,137	164,621	4,516
(2) Lease receivables and investments in leases (*3)					3,072,289	
Allowance for doubtful accounts (*2)					(8,422)	
	–	43,775	3,125,434	3,169,209	3,063,866	105,342
(3) Operating loans receivables					1,850,117	
Allowance for doubtful accounts (*2)					(17,120)	
	–	–	1,827,369	1,827,369	1,832,997	(5,627)
(4) Other operating loans receivables					211,228	
Allowance for doubtful accounts (*2)					(425)	
	–	244	211,114	211,358	210,802	555
(5) Distressed receivables					122,035	
Allowance for doubtful accounts (*2)					(66,983)	
	–	–	55,051	55,051	55,051	–
Total assets	–	44,019	5,388,108	5,432,127	5,327,340	104,787
(6) Bonds payable	–	2,144,743	–	2,144,743	2,170,273	(25,530)
(7) Long-term borrowings	–	4,385,750	–	4,385,750	4,448,320	(62,569)
(8) Current maturities of loans from the securitizations of the minimum future rentals on lease contracts	–	552,714	–	552,714	565,959	(13,244)
Total liabilities	–	7,083,209	–	7,083,209	7,184,554	(101,345)

(*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 ¥81,700 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

<u>Financial instruments with a market value in the consolidated balance sheet</u>

(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 published market value are booked at said market value, 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 published 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 calculated based on the price presented by financial institutions or the discounted present value calculated using observable inputs, 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)).

<u>Financial instruments except those with market values in the consolidated balance sheet</u>

(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 as having 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) Quantitative information regarding important but not observable inputs

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)	1.37 times	1.37 times

(*1) EV/RAV multiplying power is a value where the enterprise value of a similar type of company is divided by its regulated asset value.

In addition to the above, the market value of unlisted stocks held by overseas consolidated subsidiaries that apply the International Financial Reporting Standards were calculated using the present value method. In doing so, future cash flow was estimated by considering factors such as future profitability, capital outlay, and repayment of debt and used as an important but not observable input, and the stocks were categorized as having level 3 market value.

A significant increase (decrease) in future cash flow will cause a marked rise (fall) to the shares.

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	21,238	1,618	22,857
Income/loss or other comprehensive income for the current year			
Recorded as income or loss (*1)	125	(31)	93
Recorded as other comprehensive income	2,203	4	2,207
Purchase, disposal and redemption			
Purchase	61	–	61
Disposal and redemption	(1,288)	(513)	(1,801)
Transfer to level 3 market value	–	–	–
Transfer from level 3 market value	–	–	–
Balance at end of fiscal year	22,340	1,077	23,417
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	85	(31)	54

(*1) Included mainly in revenues in the consolidated statement of income.

(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 Group owns rental office buildings, commercial facilities, housing units, and logistics warehouses in major cities across Japan. Gain on leases related to rental properties in the current fiscal year was ¥13,755 million (major rental income and expenses are booked to revenues and cost of revenues) and gain on sales was ¥14,067 million (major sale 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.

(Millions of yen)

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	
378,721	89,990	468,712	537,846

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

2. Of the increase (decrease) for the current fiscal year, the major increase (amounted to ¥126,862 million) was due to the acquisition of real estate, and the major decrease (amounted to ¥44,053 million) was due to the sale of real estate.

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)

	Reportable segments						
	Customer Solutions	Global Business	Environment & Energy	Aviation	Logistics	Real estate	Mobility
Sales from maintenance contracts	36,396	25,397	3	–	–	–	–
Sales from selling merchandise	12,312	3,526	–	15,159	244	–	–
Electricity sales	–	751	29,829	–	–	–	–
Sales from disposal of lease properties (*2)	–	71,566	–	–	–	–	4
Other	8,650	13,566	120	9,761	1,024	7,359	63
Revenue from contracts with customers	57,360	114,810	29,953	24,921	1,268	7,359	67
Other revenue (*3)	986,329	313,351	19,853	183,359	123,391	83,199	3,777
Total	1,043,690	428,161	49,807	208,281	124,659	90,558	3,845

(Millions of yen)

	Adjusted amount (*1)	Amount recorded in consolidated statement of income
Sales from maintenance contracts	9	61,808
Sales from selling merchandise	–	31,243
Electricity sales	–	30,581
Sales from disposal of lease properties (*2)	–	71,571
Other	1,537	42,083
Revenue from contracts with customers	1,547	237,287
Other revenue (*3)	31	1,713,295
Total	1,578	1,950,583

Notes: 1. The adjustment includes ¥(1,541) 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	¥1,174.88
Earnings per share	¥86.30

(Note) The Company's shares held by a trust under a performance-based stock compensation plan are included in the number of treasury shares subtracted from the total number of issued shares at the end of the period when calculating equity per share (2,685 thousand shares as of March 31, 2024). In addition, they are also included in the number of treasury shares deducted in the calculation of the weighted average number of shares outstanding for the purpose of calculating earnings per share (1,777 thousand shares as of March 31, 2024).

<Notes on significant subsequent events>

(New associate accounted for by the equity method through share acquisition)

At a Board of Directors meeting held on January 19, 2024, the Company invested (approximately €700 million; "Investment") in European Energy A/S ("European Energy"), a Danish company developing and operating renewable and next generation energy mainly in Europe, and signed an investment agreement to acquire 20% of outstanding shares in European Energy. In accordance with this agreement, the investment was completed on April 16, 2024. With this, European Energy became an equity method affiliated company.

1. Strategic rationales of the Investment

   European Energy, active in 28 countries, achieved a cumulative development of over 3GW of renewable energy, and has more than 60GW in developed and constructed pipelines.

   Furthermore, European Energy has a large growth potential as a leading player on the global stage in the Power-to-X* field, producing green energy such as e-methanol and green hydrogen generated from renewable energy sources.

   "Promote a Decarbonized Society" is one of the Company's materialities, and the Company has been strengthening and expanding its renewable energy business as well as increasing added value in the segment to realize this materiality. In FY2023, the Company launched its Medium-term Management Plan for FY2023 - FY2025 ("2025 MTMP") and is proceeding with the evolution and layering of business models to achieve business portfolio transformation. As one of its long-term growth strategies, the Company has been pursuing to enhance development functions of the renewable energy business in Europe whereby this Investment will accelerate the initiative.

   The Company, through the strategic partnership with European Energy and by leveraging the capability and knowledge of both companies, will accelerate the development of renewable and green energy on a global scale. By enhancing its initiatives in the environment and energy business, the Company will contribute to realizing a decarbonized society.

   * The production of green fuel with low environmental impact using green electricity.

2. Overview of company to be invested in

(1) Name of company	European Energy A/S
(2) Line of business	Renewable energy and next generation energy business
(3) Company size (year ended December 2023)	Consolidated net assets €432 million Consolidated total assets €2,027 million

3. Date of investment
April 16, 2024

4. Number of shares transferred, transfer price, and number of shares held before and after the Investment

(1) Number of shares held before the transfer	- shares (Number of voting rights: -) (Percentage of voting rights held: -%)
(2) Number of shares transferred	Common shares: approximately 75 million shares
(3) Transfer price	Approximately €700 million
(4) Number of shares held after the transfer	Approximately 75 million shares (Number of voting rights: approximately 75 million) (Percentage of voting rights held: 20.0%)

5. Method of funding and payment
The Company acquired the shares of European Energy through its wholly-owned subsidiary in Denmark, MHC Energy Europe ApS, mainly by undertaking shares privately issued and allocated by European Energy. The Investment was funded mainly with the Company's own funds, borrowing, and corporate bonds.

Non-consolidated statement of changes in equity

(April 1, 2023 to March 31, 2024)

(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 brought forward	Total retained earnings
Balance at beginning of period as of April 1, 2023	33,196	33,802	509,108	542,911	638	72,035	317,091	389,764
Changes during fiscal year								
Dividends from surplus							(51,723)	(51,723)
Net income							82,798	82,798
Purchase of treasury shares								
Disposal of treasury shares			(109)	(109)				
Net changes in items other than shareholders' equity								
Total changes during fiscal year	–	–	(109)	(109)	–	–	31,075	31,075
Balance at end of period as of March 31, 2024	33,196	33,802	508,998	542,801	638	72,035	348,166	420,840

	Shareholders' equity		Valuation and translation adjustments			Share 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, 2023	(19,158)	946,713	10,845	(78,484)	(67,639)	2,138	881,212
Changes during fiscal year							
Dividends from surplus		(51,723)					(51,723)
Net income		82,798					82,798
Purchase of treasury shares	(2,134)	(2,134)					(2,134)
Disposal of treasury shares	398	288					288
Net changes in items other than shareholders' equity			(1,288)	(57,773)	(59,062)	(271)	(59,333)
Total changes during fiscal year	(1,735)	29,229	(1,288)	(57,773)	(59,062)	(271)	(30,104)
Balance at end of period as of March 31, 2024	(20,894)	975,943	9,557	(136,258)	(126,701)	1,866	851,108

Notes on non-consolidated financial statements

<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), 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 forward exchange, etc., are translated into a forward exchange 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 ¥2,850 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 share awards for directors (and other officers)

To provide for the delivery of the Company's shares for directors and other officers in accordance with the performance-based stock compensation plan, the Company books the amount expected to be paid at the end of the current fiscal year.

(5) 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.

1) 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.

2) 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 (14 to 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 (11 to 17 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

1) 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.

2) 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 forward exchange that meets 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, 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

Hedged items............ Borrowings, accounts payable - trade, 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 uses interest rate-related derivative transactions for the purpose of locking in profit on individual projects.

Regarding foreign currency exchange rate fluctuation risks, the Company uses currency-related derivative transactions and hedges through 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 ¥100,513 million in investment securities, ¥763 million in securities, and ¥70,681 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 accounting estimates>

(Allowance for doubtful accounts)

Regarding the allowance for doubtful accounts, the subject receivables are classified into normal receivables, highly doubtful receivables and distressed receivables based on credit information such as the business conditions and payment status of the business partners and in accordance with the Company’s internal management regulations, and 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 ¥8,475 million in allowance for doubtful accounts at the end of the current fiscal year.

<Additional information>

(Performance-based stock compensation plan)

Notes are omitted because the same information is presented in the Notes to Consolidated Financial Statements (Additional information).

<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	9,565
Installment receivables	8,999
Lease receivables	14,856
Investments in leases	55,777
Operating loans receivables	491
Loans receivable from subsidiaries and associates	8,070
Investment securities	10,960
Shares of subsidiaries and associates	565
Investments in other securities of subsidiaries and associates	16,182
Operating lease contract receivables	52
Total	125,522

(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)	59,802
Long-term guarantee deposits received	926
Total	60,728

Note: Of the assets pledged as collateral, ¥9,565 million in cash and deposits, ¥186 million in investments in leases, ¥491 million in operating loans receivables, ¥8,070 million in loans receivable from subsidiaries and associates, ¥10,960 million in investment securities, ¥565 million in shares of subsidiaries and associates, and ¥16,182 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	247,965
Own-used assets	5,464
Total	253,430

4. Guarantee obligations, etc.

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

	(Millions of yen)
Operating guarantees amount	20,144

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

	(Millions of yen)
Mitsubishi HC Capital (Hong Kong) Limited	9,173
Mitsubishi HC Capital Estate Plus Inc.	2,372
PFI MC One Y.K.	2,304
Other	1,361
Subtotal	15,212

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

	(Millions of yen)
Mitsubishi HC Finance America LLC	1,094,455
Mitsubishi HC Capital UK PLC	755,758
JSA International U.S. Holdings, LLC	376,117
Mitsubishi HC Capital America, Inc.	204,127
CAI International, Inc.	124,937
Mitsubishi HC Capital Canada Leasing, Inc.	85,534
Jackson Square Aviation Ireland Ltd.	78,225
MHC America Holdings Corporation	55,730
MHC Mobility B.V.	44,789
MHC Mobility Sp. z o.o.	43,284
Bangkok Mitsubishi HC Capital Co., Ltd.	34,919
Mitsubishi HC Capital (Hong Kong) Limited	34,847
Mitsubishi HC Capital Canada, Inc.	28,623
PT. Mitsubishi HC Capital and Finance Indonesia	25,239
MHC Mobility GmbH	22,107
PT. Arthaasia Finance	22,078
Mitsubishi HC Capital (Thailand) Co., Ltd.	20,009
Engine Lease Finance Corporation	18,674
Mitsubishi HC Capital (Singapore) Pte. Ltd.	13,878
Mitsubishi HC Capital Leasing (Beijing) Co., Ltd.	12,088
Mitsubishi HC Capital Malaysia Sdn. Bhd.	11,680
PT. Takari Kokoh Sejahtera	10,348
Mitsubishi HC Capital (Shanghai) Co., Ltd.	7,128
ALD MHC Mobility Services (Thailand) Co., Ltd.	6,101
EuroFleet Zrt.	4,873
Mitsubishi HC Capital Asia Pacific Pte. Ltd.	4,577
MHC Management (Thailand) Co., Ltd.	2,194
Mitsubishi HC Capital Management (China) Limited	1,934
Other	626
Subtotal	3,144,892

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

(Millions of yen)

Employee (residential funds)	17
Total	3,180,267

5. Monetary claims and liabilities related to subsidiaries and associates (Millions of yen)

Short-term monetary claims	112,505
Long-term monetary claims	2,859
Short-term monetary liabilities	43,808
Long-term monetary liabilities	21,893

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)	2,302
Contract assets	–
Contract liabilities (*2)	998

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	53,338
Cost of revenues	2,435
Selling, general and administrative expenses	3,463
Purchase of leased assets, etc.	8,480
Other transaction volume except operating transactions	75,628

3. Breakdown of capital costs (Millions of yen)

Interest expenses	23,258
Interest income	(2,081)
Total	21,177

<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)	30,718	2,400	629	32,489
Total	30,718	2,400	629	32,489

Notes: 1. The number of treasury shares of common shares include the Company's shares held by a trust as part of the performance-based stock compensation plan.
2. The increase of 2,400 thousand treasury shares of common shares was due to the acquisition of the Company's shares by the performance-based stock compensation plan.
3. The decline of 629 thousand treasury shares of common shares was due to the exercising of stock options, etc.

<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	18,646
Advances received - lease	7,083
Shares of subsidiaries and associates, etc.	6,775
Asset retirement obligations	4,189
Investments in other securities of subsidiaries and associates	3,574
Allowance for doubtful accounts	2,821
Other	13,102
Subtotal of deferred tax assets	56,193
Valuation allowance amount	(5,418)
Total of deferred tax assets	50,774

(2) Deferred tax liabilities

	(Millions of yen)
Exceptions to deferred payment basis related to lease transfers	(4,908)
Valuation difference on available-for-sale securities	(4,158)
Other	(3,202)
Total deferred tax liabilities	(12,269)
Net total of deferred tax assets	38,505

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	(25.8)
Retained earnings from designated foreign subsidiaries	2.4
Foreign tax credits	(1.3)
Other	(1.2)
Actual effective tax rate of income taxes after application of tax effect accounting	4.7

<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. (*5)	(Ownership) Direct 70.71%	Lending business funds	Lending business funds	90,000	Loans receivable from subsidiaries and associates	–
				Receiving interest income	307	–	–
Subsidiary	Mitsubishi HC Capital Estate Plus Inc.	(Ownership) Direct 100%	Lending business funds Property leasing	Lending business funds (*3)	34,361	Loans receivable from subsidiaries and associates	193,949
				Receiving interest income	1,184	–	–
				Receiving lease fees	14,174	Investments in leases	52,749
				Payment of land fees	716	Long-term guarantee deposits	344
				–	–	Long-term guarantee deposits received	21,416
Subsidiary	JAPAN MEDICAL LEASE CORPORATION	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	(3,162)	Loans receivable from subsidiaries and associates	79,888
				Receiving interest income	298	–	–
Subsidiary	Mitsubishi HC Business Lease Corporation	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	31,615	Loans receivable from subsidiaries and associates	173,569
				Receiving interest income	586	–	–

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	Mitsubishi HC Capital Energy Inc.	(Ownership) Direct 100%	Lending business funds (*4)	Lending business funds	1,700	Loans receivable from subsidiaries and associates	94,979
				Lending business funds (*3)	105	–	–
				Receiving interest income	978	–	–
Subsidiary	Mitsubishi HC Capital Realty Inc.	(Ownership) Direct 100%	Lending business funds (*4)	Lending business funds	–	Loans receivable from subsidiaries and associates	80,550
				Lending business funds (*3)	17,042	–	–
				Receiving interest income	273	–	–
Subsidiary	Mitsubishi HC Capital UK PLC	(Ownership) Direct 100%	Guarantee of obligation	Guarantee of obligation	755,758	–	–
Subsidiary	Mitsubishi HC Capital America, Inc.	(Ownership) Direct 100%	Guarantee of obligation	Guarantee of obligation	204,127	–	–
Subsidiary	Mitsubishi HC Capital Canada Leasing, Inc.	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	85,534	–	–
Subsidiary	Jackson Square Aviation Ireland Limited	(Ownership) Indirect 100%	Lending business funds Guarantee of obligation	Lending business funds	98,319	Loans receivable from subsidiaries and associates	207,177
				Receiving interest income	7,060	–	–
				Guarantee of obligation	78,225	–	–
Subsidiary	JSA International U.S. Holdings, LLC	(Ownership) Indirect 100%	Lending business funds Guarantee of obligation	Lending business funds	–	Loans receivable from subsidiaries and associates	58,779
				Receiving interest income	2,361	–	–
				Guarantee of obligation	376,117	–	–

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	CAI International, Inc.	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	124,937	–	–
Subsidiary	MHC America Holdings Corporation	(Ownership) Direct 100%	Guarantee of obligation	Guarantee of obligation	55,730	–	–
Subsidiary	Mitsubishi HC Finance America LLC	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	1,094,455	–	–

(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	575,841	Short-term borrowings	53,821
				Borrowing long-term business capital	–	Long-term borrowings	357,143
				Payment of interest income	16,460	–	–
Subsidiary of other subsidiaries and associates	Lawson, Inc. (*6)	–	Lease transaction	Receiving lease fees	21,017	Investments in leases	93,631

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. The Company has transitioned to lending funds based on a pooling system from the current fiscal year. Regarding the details of transactions, the amount of lending business funds before the system transition is shown in the upper row, and the amount of increase or decrease from the loan balance at the time of the system transition based on the transaction amount shown in (Note 3) is shown in the lower row.
5. Because Shutoken Leasing Co., Ltd. was excluded from the scope of subsidiaries during the current fiscal year, the holding (owned) ratio of voting rights, etc. and the transaction amount are for the period up to the day before the date of exclusion.
6. 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	¥592.04
Earnings per share	¥57.70

Note: The Company's shares held by a trust under a performance-based stock compensation plan are included in the number of treasury shares subtracted from the total number of issued shares at the end of the period when calculating equity per share (2,685 thousand shares as of March 31, 2024). In addition, they are also included in the number of treasury shares deducted in the calculation of the weighted average number of shares outstanding for the purpose of calculating earnings per share (1,777 thousand shares as of March 31, 2024).

<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

Transactions etc. under common control

(Mergers with consolidated subsidiaries)

Based on a resolution of the Board of Directors meeting held on February 10, 2023, the Company merged by absorption with its wholly-owned subsidiary, Japan Infrastructure Initiative Company Limited (JII), on April 1, 2023.

This merger was implemented by the Company based on the simplified merger procedure pursuant to Article 796 (2) of the Companies Act, and by JII based on the short form merger procedure pursuant to Article 784 (1) of the Companies Act.

1. Overview of transaction

(1) Name of combined company or business and details of business

Name of combined company Japan Infrastructure Initiative Company Limited

Details of business Investment business in infrastructure businesses, money lending business, other financial business, etc.

(2) Date of business combination

April 1, 2023

(3) Legal form of business combination

Absorption-type merger where the Company is the surviving company, and JII is the absorbed company

(4) Name of company after the combination

Mitsubishi HC Capital Inc.

(5) Other matters concerning overview of the transaction

JII has provided functions as an open financial platform that financially supports the export of Japanese infrastructure industry, but the Company decided to absorb the company with the aim of concentrating management resources, know-how and expertise, and strengthening the system for efficient business operation, by integrating JII's business.

2. Overview of accounting treatment performed

It was treated as a transaction under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019). As a result of this transaction, the Company posted a loss on extinguishment of tie-in shares of approximately ¥4,763 million as an extraordinary loss in the statement of income. However, there is no impact on profit and loss in the consolidated statement of income because it is set off as an internal transaction.