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OTHER MATTERS SUBJECT TO THE ELECTRONIC PROVISION MEASURES FOR THE 54th ANNUAL GENERAL MEETING OF SHAREHOLDERS (MATTERS OMITTED FROM DOCUMENTS DELIVERED TO SHAREHOLDERS)

Matters concerning the Status of the Group
Changes in assets and income (loss)
Principal business
Locations
Status of employees
Main lenders
Other important matters concerning the status of the Group
Matters concerning the Company's shares
Matters concerning share acquisition rights
Matters concerning the Company's officers
Overview of limited liability agreements
Matters concerning directors and officers liability insurance agreement
Matters concerning Outside Director
Status of the accounting auditor
System for ensuring appropriate business operation and overview of its operating status
Consolidated statement of changes in equity
Notes on consolidated financial statements
Non-consolidated statement of changes in equity
Notes on non-consolidated financial statements

April 1, 2024 to March 31, 2025

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	FY2021 51st term	FY2022 52nd term	FY2023 53rd term	FY2024 54th term (Current fiscal year)
Revenues	1,765,559	1,896,231	1,950,583	2,090,808
Recurring income	117,239	146,076	151,633	193,594
Net income attributable to owners of the parent	99,401	116,241	123,842	135,165
Earnings per share	¥69.24	¥80.95	¥86.30	¥94.19
Total assets	10,328,872	10,726,196	11,149,858	11,762,332
Total equity	1,333,467	1,551,029	1,705,345	1,804,523

A performance-based stock compensation plan has been introduced from the 53rd fiscal year. 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	FY2021 51st term	FY2022 52nd term	FY2023 53rd term	FY2024 54th term (Fiscal year under review)
Revenues	838,475	764,506	755,707	734,545
Recurring income	34,008	79,910	73,293	59,934
Net income	51,584	82,204	82,798	47,493
Earnings per share	¥35.93	¥57.24	¥57.70	¥33.10
Total assets	5,700,025	5,317,966	4,963,571	4,989,602
Total equity	880,601	881,212	851,108	861,780

A performance-based stock compensation plan has been introduced from the 53rd fiscal year. 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 443 subsidiaries and 83 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 description
Customer Solutions	Finance solution business for companies and government agencies, energy-saving solution business, sales finance business provided through collaboration with vendors, real estate leasing business, and financial service business
Global Business	Finance solution business, and sales finance business provided through collaboration with vendors in Europe, the Americas, China, and ASEAN region
Environment & Energy	Renewable energy business and environment related finance solution business
Aviation	Aircraft leasing business and aircraft engine leasing business
Logistics	Marine container leasing business and railcar leasing business
Real Estate	Real estate finance business, real estate investment business, and real estate asset management business
Mobility	Auto leasing business and supplementary services

The name of the "Global Business" reportable segment is scheduled to be changed to "Global Customer" in the next fiscal year (fiscal year ending March 31, 2026).

Locations

1) The Company

Head Office Chiyoda-ku, Tokyo

Branches, etc. Nishi-Shimbashi Office, Nagoya 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	2,419 (down 86 from the end of the previous fiscal year)
Global Business	4,105 (down 26 from the end of the previous fiscal year)
Environment & Energy	172 (up 7 from the end of the previous fiscal year)
Aviation	241 (up 12 from the end of the previous fiscal year)
Logistics	179 (up 12 from the end of the previous fiscal year)
Real estate	239 (up 10 from the end of the previous fiscal year)
Mobility	292 (down 2 from the end of the previous fiscal year)
Company-wide (common)	733 (up 29 from the end of the previous fiscal year)
Total	8,380 (down 44 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.	1,244,395
Mizuho Bank, Ltd.	486,930
Sumitomo Mitsui Banking Corporation	400,874
Sumitomo Mitsui Trust Bank, Limited	205,478
The Norinchukin Bank	180,186

Other important matters concerning the status of the Group

None.

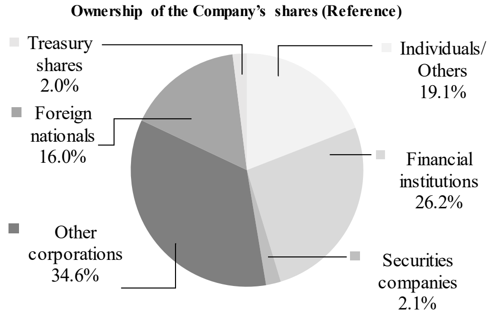
Matters concerning the Company's shares

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

(2) Total number of issued shares 1,438,088,723

(Excluding 28,823,521 treasury shares.)

(3) Number of shareholders 525,028



(4) Major shareholders

Name	Shares held	Ownership (Note)
Mitsubishi Corporation	264,044,396 shares	18.36%
Mitsubishi UFJ Financial Group, Inc.	208,345,981 shares	14.48%
The Master Trust Bank of Japan, Ltd. (Trust Account)	144,141,600 shares	10.02%
Custody Bank of Japan, Ltd. (Trust Account)	66,458,900 shares	4.62%
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	17,318,563 shares	1.20%
STATE STREET BANK AND TRUST COMPANY 505103	13,527,242 shares	0.94%
STATE STREET BANK AND TRUST COMPANY 505001	13,248,718 shares	0.92%

(Note) Treasury shares (28,823,521 shares) are excluded when calculating ownership.

(5) Status of shares granted to the Company's officers as compensation for duties executed during the fiscal year

Category	Number of eligible officers	Number of shares delivered	
			Number of shares converted into cash
Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members)	1	16,905 shares	16,905 shares

This section reflects the number of shares granted, as per the regulations for share delivery, to a Director who retired due to passing away on January 4, 2024.

(6) 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, Yuri Sasaki, Kayoko Kawamura, Shota Kondo, Yoshitaka Shiba, Hiroyasu Nakata, 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	Kayoko Kawamura	Teradata Japan, Ltd.	Executive Officer	There is no significant trade or other relationship between the Company and Teradata Japan, Ltd.
Director	Shota Kondo	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.

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	Shota Kondo	OK Corporation	Outside Director	There is no significant trade or other relationship between the Company and OK Corporation.
Director (Audit & Supervisory Committee Member)	Hiroko Kaneko	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	Yuri Sasaki	Board of Directors meetings: 14/14 Governance Committee : 9/9 Nomination Committee : 6/6 Compensation Committee : 5/5	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 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	Kayoko Kawamura	Board of Directors meetings: 11/11 Governance Committee : 7/7 Nomination Committee : 4/4 Compensation Committee : 4/4	Leveraging her management experience at a major system vendor and her knowledge of digital transformation (DX), Kayoko Kawamura provides comments as necessary and appropriate when proposals are discussed. In so doing, she contributes to proper decision-making by the Board of Directors, etc. and supervision of management in general.
Director	Shota Kondo	Board of Directors meetings: 10/11 Governance Committee : 7/7 Nomination Committee : 4/4 Compensation Committee : 4/4	Leveraging his management experience and insight into domestic and foreign business from working at a leading Japanese general trading company, Shota Kondo 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 (Audit & Supervisory Committee Member)	Hiroyasu Nakata	Board of Directors meetings: 14/14 Audit & Supervisory Committee : 11/11 Governance Committee : 9/9 Nomination Committee : 6/6 Compensation Committee : 5/5	Leveraging his high level of 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. He also conducts audits from a neutral and objective standpoint, thereby contributing to ensuring the soundness of the Company’s management.
Director (Audit & Supervisory Committee Member)	Hiroko Kaneko	Board of Directors meetings: 14/14 Audit & Supervisory Committee : 15/15 Governance Committee : 9/9 Nomination Committee : 6/6 Compensation Committee : 5/5	Leveraging her experience at a major audit firm and as a university professor, as well as her advanced expertise as an accounting professional, Hiroko Kaneko provides comments as necessary and appropriate when proposals are discussed. In so doing, she contributes to proper decision-making by the Board of Directors, etc. and supervision of management in general. She also conducts audits from a neutral and objective standpoint, thereby contributing 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: 14/14 Audit & Supervisory Committee : 15/15 Governance Committee : 9/9 Nomination Committee : 6/6 Compensation Committee : 5/5	Leveraging his extensive management experience at a leading Japanese manufacturer and his insight into finance and accounting operations, Masayuki Saito 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. He also conducts audits from a neutral and objective standpoint, thereby contributing to ensuring the soundness of the Company's management.

(Notes)
1. Ms. Kayoko Kawamura and Mr. Shota Kondo were newly elected as Directors at the General Meeting of Shareholders held on June 25, 2024. Accordingly, the attendance at the Board of Directors meetings held on and after June 25, 2024 is provided.
2. Mr. Hiroyasu Nakata was a Director who is not an Audit & Supervisory Committee Member, but because he was newly elected as a Director (Audit & Supervisory Committee Member) at the Annual General Meeting of Shareholders held on June 25, 2024, his attendance at the meetings of the Board of Directors and the Audit & Supervisory Committee held after that date is described.
3. Because Directors Kayoko Kawamura and Shota Kondo became members of the Governance Committee, Nomination Committee and Compensation Committee from June 25, 2024, their attendance at the meetings of each Committee held after that date is described.

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	¥263 million
(ii) Total amount of cash and other property benefits to be paid to the Accounting Auditor by the Company and its consolidated subsidiaries	¥466 million

A total of 15 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, 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.

<u>System for ensuring appropriate business operation and overview of its operating status</u>

The Company has resolved to use a system for ensuring the propriety of business activities 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 and the Company’s subsidiaries and affiliates,” and “Group companies” refers to “the Company’s subsidiaries and affiliates.”

In addition, the internal control system shall be applied to each Group company by making appropriate adjustments based on factors such as the business operations, 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 a 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 require the Group companies to request prior approval or consultation or to provide reports regarding important management matters in line with internal rules in order to manage the Group appropriately. Thus, the Company shall manage the Group companies with responsible departments giving approval, implementing consultation, receiving reports, etc. 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.

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 executives and employees of the Group comply with laws and regulations and the Articles of Incorporation, by establishing and disseminating 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 executives and employees of the Group comply with laws and regulations, etc., including education for the Group’s

executives and employees) and monitor how the Group's executives and employees are working on those programs.

(5) The Company shall establish the Compliance Hotline System as an internal whistleblowing system under which the Group's executives, employees, etc., can report to or seek consultations with the Company regarding unfair practices and other conduct. The Company shall not treat 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, etc. and fully inform all executives and employees through internal training and on other occasions.

(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 which deliberates on the appropriateness of information disclosure regarding the Group and the effectiveness of internal controls and procedures related to information disclosure, 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 Audit & Supervisory Committee. With regard to findings that require improvement, for which guidance was provided to the departments subject to audits (important findings), those departments, after taking improvement measures, are made to report the results to the General Manager of the Internal Audit Department. The results for important findings are to be reported by the Internal Audit Department to the Representative Director, in order to ensure the effectiveness of the audit.

(3) The General Manager of the Internal Audit Department shall regularly and appropriately build collaborative relationships with the Audit & Supervisory Committee Member(s) of the Company and Auditors and other relevant persons and the Accounting Auditor of the Group companies, such as by exchanging relevant information with them, and shall work to ensure the efficient implementation of the audit.

Risk Management System

Company-wide Risk Management

(1) The Company shall establish a company-wide risk management system that is based on the policy of taking risks within the controlled scope decided by the Executive Committee, the Board of Directors etc.

through overall understanding of the wide-ranging risks of the Group and sufficient consideration of potential risks estimated along with new operations. The company-wide risk management aims to ensure sound management and contribute to sustainable improvement of corporate value, while performing its social responsibility as a company to stakeholders including clients, shareholders, employees and communities.

(2) The Company shall 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 establish an executive officer and a department in charge of companywide risk management respectively and hold Risk Management Committee meetings related to integrated risk management of the Group as necessary and on a regular basis. The report to the Risk Management Committee shall be made on major risks of the Group's businesses, and other risk-management-related matters concerning financial markets, liquidity, compliance, systems, IT and others provided from the committees and internal auditing.

(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 corresponding 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, and in accordance with the Group's management targets and management plans.

(2) The Company shall establish the Executive Committee, a body which will deliberate and decide on important matters, and the Board of Directors shall delegate the business execution decisions to the Executive Committee in an appropriate manner. The Executive Committee will hold discussions and make decisions on important matters, including the business management of the Group, in addition to conducting preliminary deliberations 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 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 to confirm the details of the deliberation.

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

(3) The Board of Directors shall receive and confirm reports of material information related to the execution of duties by Executive Directors, and utilize an internal whistleblowing system through reports, etc. of 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 prior approval, prior consultation, or reporting 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 Individuals (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.

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 interview 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 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 Internal Audit Department and conducting an audit, regularly or in a timely manner, of the offices, etc. including the subsidiary, and by understanding the actual situation.

(5) The employee, who should assist the duties of an Audit & 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(s) selected by the Audit & Supervisory Committee.

(8) The Internal Audit Department should 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 54th fiscal year (fiscal year ended March 31, 2025) 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 system 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 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 regularly and appropriately exchanged relevant information with the Audit & Supervisory Committee Members of the Company, Auditors and other relevant persons, and the Accounting Auditor of the Group companies, and worked for efficient implementation of audits.

Risk Management System

<Company-wide 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 two 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 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 Individuals (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 Audit & Supervisory Committee Members designated by the Committee 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 and Supervisory Committee has made periodical exchanges of opinions with the President, the Audit Department, the department in charge of internal control functions, and the Accounting Auditor, respectively. The Committee has performed periodical or timely collaborations with the Internal Audit Department, the Accounting Auditor, and the department in charge of internal control functions, in addition to receiving audit plans and results of audits from such bodies, and has 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) 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, 2025. The main revisions are as follows.

i) Added [Information Management System] in light of the importance of information security

ii) Clarified the coordination between the Audit and Supervisory Committee and the department in charge of internal control.

Consolidated statement of changes in equity

(April 1, 2024 to March 31, 2025)

(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, 2024	33,196	546,268	775,152	(20,894)	1,333,722
Changes during fiscal year					
Dividends from surplus			(56,058)		(56,058)
Net income attributable to owners of the parent			135,165		135,165
Change due to merger of consolidated subsidiary and unconsolidated subsidiary			11		11
Change in ownership interest of parent due to transactions with non-controlling interests		(182)			(182)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(112)		766	654
Net changes in items other than shareholders' equity					
Total changes during fiscal year	–	(294)	79,118	766	79,589
Balance at end of period as of March 31, 2025	33,196	545,973	854,270	(20,128)	1,413,312

	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, 2024	14,987	36,817	292,477	7,262	351,544	1,866	18,211	1,705,345
Changes during fiscal year								
Dividends from surplus								(56,058)
Net income attributable to owners of the parent								135,165
Consolidated Subsidiaries and non-consolidated subsidiaries changes due to merger								11
Change in ownership interest of parent due to transactions with non-controlling interests								(182)
Purchase of treasury shares								(0)
Disposal of treasury shares								654
Net changes in items other than shareholders' equity	(7,450)	(11,076)	38,750	4,544	24,768	(498)	(4,682)	19,587
Total changes during fiscal year	(7,450)	(11,076)	38,750	4,544	24,768	(498)	(4,682)	99,177
Balance at end of period as of March 31, 2025	7,536	25,741	331,228	11,806	376,313	1,368	13,528	1,804,523

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: 249

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 Aviation Services Co., Ltd. and four other companies due to their establishment; and Soka Logistics Special Purpose Company and 22 other companies due to the acquisition of equity, etc.

The following companies were excluded from the scope of consolidation during the current fiscal year: MHC Spring Shipping S.A. and 17 other companies due to the completion of liquidation, etc.; and Miyuki Building Co., Ltd. and five other companies due to the sale of their shares.

(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, 145 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, 49 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: 64

Names of major equity method affiliates

Mitsubishi Electric Financial Solutions Corporation

Chubu Electric Power & MHC Germany Transmission GmbH

European Energy A/S

Mitsubishi Auto Leasing Corporation

The following companies are included in the scope of equity method application from the current fiscal year: European Energy A/S and two other companies due to the acquisition of equity, etc.

The following companies were excluded from the scope of equity method application during the current fiscal year: Verkoopklaar.nl B.V. and five other companies due to the sale of their 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, 145 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, 48 non-consolidated subsidiaries and 19 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
June 30:	2
August 31:	2
September 30:	2
October 31:	16
November 30:	4
December 31:	99
January 31:	32

(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 June and September are consolidated in financial statements based on provisional closings conducted as of the end of December.

Further, for 9 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.

(3) Previously, for JSA International Holdings, L.P., a consolidated subsidiary with a balance sheet date of December 31, and its 16 subsidiaries, the Company used financial statements as of that date for preparing the consolidated financial statements and made necessary consolidation adjustments for material intercompany transactions that occurred between that date and the Company's consolidated balance sheet date. Starting from the fiscal year under review, the fiscal year-end of the consolidated subsidiary was changed to March 31 to align with the Company's consolidated balance sheet date. Accordingly, in preparing the consolidated financial statements for the fiscal year under review, the Company adopted a method of adjusting the profit and loss for the period from January 1, 2024 to March 31, 2024 through the consolidated statement of income. As a result, the consolidation period for the fiscal year under review covers 15 months, from January 1, 2024 to March 31, 2025.
For the period from January 1, 2024 to March 31, 2024, the consolidated subsidiary recorded revenues of ¥40,653 million, operating income of ¥9,125 million, recurring income of ¥9,063 million, income before income taxes of ¥9,063 million, and net income of ¥6,061 million. In addition, during the same period, deferred gains or losses on hedges increased by ¥6,443 million, and foreign currency translation adjustment increased by ¥22,866 million.
As a result of this change, net income attributable to owners of the parent in the consolidated statement of income for the fiscal year under review increased by ¥9,437 million.

4. Matters related to accounting policies

(1) Valuation standards and methods for important assets

1) Securities

Held-to-maturity debt securities:

Amortized cost method (straight-line method)

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 to ten 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, revised on September 13, 2024).

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 ¥16,206 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 (11 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, etc.)
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 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: Asset Liability Management). 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 officer in charge.

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.

(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 ¥210,171 million in investment securities and ¥437 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 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. (¥1,524,304 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 ¥3,751 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 consolidated fiscal year on.
At the end of the current fiscal year, the Company booked ¥98,706 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 consolidated fiscal year on.
At the end of the current fiscal year, the Company booked ¥70,147 million as allowance for doubtful accounts.

<Additional information>

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

At a Board of Directors meeting held on January 19, 2024, the Company resolved to invest 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 on the same day to acquire 20% of the outstanding shares of European Energy. In accordance with this agreement, the investment was completed on April 16, 2024 through MHC Energy Europe ApS ("MHC Energy Europe"), a consolidated subsidiary of the Company. With this, European Energy became an equity method affiliated company.

The outline of the investee company, European Energy, is as follows.

Name of company	European Energy A/S
Line of business	Renewable energy and next generation energy business
Start date of equity method application	April 16, 2024
Voting ratio after the acquisition of shares	20.0%

1. Strategic rationales of the Investment

   European Energy operates renewable energy businesses in 28 countries worldwide, primarily in Europe. The company is also engaged in the production of green hydrogen and e-methanol, and is expected to achieve further growth as a leading global player in the field of next generation energy. 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.

2. Date of investment

   April 16, 2024

3. Period of the investee company's performance included in the consolidated statement of income for the fiscal year under review

   The fiscal year-end of MHC Energy Europe, which holds the investment in European Energy, is December 31. For the fiscal year under review, the consolidated financial statements were prepared based on the financial statements of MHC Energy Europe as of December 31.

   As the start date of equity method application for European Energy was April 16, 2024, the Company has included its performance for the period from April 16, 2024 to December 31, 2024 in share of profit of entities accounted for using equity method in the consolidated statement of income for the fiscal year under review.

4. Overview of accounting treatment performed

(1) Acquisition cost of the investee company and its breakdown

Consideration for the acquisition	Cash	¥120,005 million
Direct expenses incurred for the acquisition	Advisory fees, etc.	¥930 million
Cost of acquisition		¥120,935 million

(2) Amount equivalent to goodwill included in investment securities, cause of recognition, method of amortization, and amortization period

(i) Amount equivalent to goodwill included in the investment securities

¥85,234 million

(ii) Occurrence cause

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

(iii) Method and period of amortization

Amortized on a straight-line basis over 20 years

(Performance-based stock compensation plan)

The Company has 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 at the end of the current fiscal year are ¥2,163 million and 2,527 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	22,003
Installment receivables	12,734
Lease receivables and investments in leases	571,422
Operating loans receivables	179,660
Other current assets	13,830
Leased assets	1,573,285
Other operating assets	94,254
Other intangible assets	2,153
Investment securities	23,185
Other investments and other assets	67
Operating lease contract receivables	339
Total	2,492,936

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Short-term borrowings	899
Bonds payable (including current portion of bonds payable)	300
Long-term borrowings (including current portion of long-term borrowings)	1,013,393
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (including long-term)	580,718
Other non-current liabilities	320
Total	1,595,631

(Note) Of the assets pledged as collateral, ¥8,538 million in operating loans receivables, and ¥19,497 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	1,451,055
Other operating assets	76,568
Own-used assets	17,831
Total	1,545,454

(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	13,981

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

	(Millions of yen)
ALD MHC MOBILITY SERVICES MALAYSIA SDN.BHD.	1,024
Employee (residential funds)	13
Subtotal	1,038
Total	15,019

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)	9,010
Contract assets	–
Contract liabilities (*2)	9,784

(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 bargain purchase

   This was due to increasing the investment in Soka Logistics Special Purpose Company, which engages in the real estate development business, and making it a consolidated subsidiary.
3. Loss on sale of shares of subsidiaries and associates

   This was due to selling all of the shares of Miyuki Building 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)	3,751
Leased assets	Transportation equipment (aircraft engines)	143

Some of the Company's consolidated subsidiaries use individual aircraft as the grouping unit for assets related to aircraft leases and individual aircraft engines as the grouping unit for assets related to aircraft engine leases to determine whether there is any indication of impairment. 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 value of the asset is calculated by discounting future cash flow by 5.0% when the value in use is used, and is calculated from expected sales price, etc. when the net realizable value is used.

(2) Intangible assets

Use	Type	Impairment loss (Millions of yen)
–	Other intangible assets	698

Some of the Company's consolidated subsidiaries use lease contracts for individual aircraft as the grouping unit for assets to determine whether there is any indication of impairment. The book values of intangible assets related to aircraft leases for which indications of impairment were recognized due to factors such as changes in lease contract conditions have been reduced to the recoverable amounts, and the reduction amounts have been recorded as impairment loss in cost of revenues. The recoverable amounts of these assets were measured at value in use, and the recoverable amount has been valued as zero.

(3) Asset group conducting solar power generation business

Use	Type	Impairment loss (Millions of yen)
Assets for solar power generation business	Other operating assets, etc.	4,003

The Group conducts asset grouping for each project of the solar power generation business. For a domestic solar power generation project for which an impairment loss was recorded in the previous fiscal year, the book value of other operating assets that declined in profitability due to a reduction in the future cash flows expected to be generated was reduced to the recoverable amount, and the reduced amount was recorded as an impairment loss in cost of revenues.

The recoverable values of said assets are calculated based on their utility value and the future cash flow is discounted by 4.2%.

<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 22, 2024.

- Matters related to common share dividends

(a) Total amount of dividends ¥27,305 million
(b) Dividend amount per share ¥19.00
(c) Record date March 31, 2024
(d) 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.

2) The following was resolved at the Board of Directors meeting held on November 14, 2024.

- Matters related to common share dividends

(a) Total amount of dividends ¥28,753 million
(b) Dividend amount per share ¥20.00
(c) Record date September 30, 2024
(d) Effective date December 10, 2024

(Note)The total amount of dividends resolved at the Board of Directors meeting held on November 14, 2024 includes ¥51 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 21, 2025.

- Matters related to common share dividends

(a) Total amount of dividends ¥28,761 million
(b) Source of dividends Retained earnings
(c) Dividend amount per share ¥20.00
(d) Record date March 31, 2025
(e) Effective date June 9, 2025

(Note)The total amount of dividends resolved at the Board of Directors meeting held on May 21, 2025 includes ¥50 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	21,600	216
September 26, 2013	Common shares	14,700	147
September 25, 2014	Common shares	59,700	597
September 29, 2015	Common shares	74,900	749
September 29, 2016	Common shares	119,100	1,191
September 27, 2017	Common shares	191,200	1,912
June 28, 2018	Common shares	197,900	1,979
June 25, 2019	Common shares	297,200	2,972
June 24, 2020	Common shares	327,300	3,273
June 25, 2021	Common shares	669,100	6,691
June 28, 2022	Common shares	748,300	7,483

<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 regularly.

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 officer in charge. 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	14,833	–	10,235	25,068
Government bonds, municipal bonds, etc.	5,941	–	–	5,941
Bonds payable	–	17,436	–	17,436
Other	–	5,577	424	6,002
(2) Derivative transactions (*1, *2)				
Currencies related	–	(47,916)	–	(47,916)
Interests related	–	25,444	–	25,444
Total assets	20,774	542	10,659	31,977

(*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 ¥(22,096) million.

(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)					158,242	
Allowance for doubtful accounts (*2)					(1,241)	
	–	–	159,988	159,988	157,001	2,986
(2) Lease receivables and investments in leases (*3)					3,052,055	
Allowance for doubtful accounts (*2)					(9,375)	
	–	52,560	3,091,007	3,143,567	3,042,679	100,887
(3) Operating loans receivables					1,922,390	
Allowance for doubtful accounts (*2)					(17,616)	
	–	–	1,914,323	1,914,323	1,904,774	9,548
(4) Other operating loans receivables					226,144	
Allowance for doubtful accounts (*2)					(547)	
	–	231	225,918	226,149	225,597	552
(5) Securities and investment securities Held-to-maturity debt securities						
Government bonds, municipal bonds, etc.	1,874	–	–	1,874	1,913	(39)
(6) Distressed receivables					87,005	
Allowance for doubtful accounts (*2)					(40,711)	
	–	–	46,293	46,293	46,293	–
Total assets	1,874	52,791	5,437,530	5,492,196	5,378,259	113,936
(7) Bonds payable	–	2,375,869	–	2,375,869	2,378,147	(2,277)
(8) Long-term borrowings	–	4,438,859	–	4,438,859	4,441,024	(2,164)
(9) Current maturities of loans from the securitizations of the minimum future rentals on lease contracts	–	568,575	–	568,575	580,796	(12,220)
Total liabilities	–	7,383,305	–	7,383,305	7,399,968	(16,662)

(*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 ¥83,822 million in estimated remaining value related to finance leases that do not transfer ownership.

(Notes)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. Unlisted stocks whose market value is measured using important but not observable inputs 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” (8)).

<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) Securities and investment securities

Held-to-maturity debt securities with a published market value are booked at said market value, with government bonds and municipal bonds categorized as having Level 1 market values, and all others categorized as having Level 2 market values.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(Notes)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	Discounted present value method	Discount rate	2.04%	2.04%

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 market value of 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	22,340	1,077	23,417
Income/loss or other comprehensive income for the current year			
Recorded as income or loss (*1)	219	(21)	197
Recorded as other comprehensive income	(2,196)	0	(2,196)
Purchase, disposal and redemption			
Purchase	4,457	–	4,457
Disposal and redemption	(14,585)	(630)	(15,215)
Transfer to level 3 market value	–	–	–
Transfer from level 3 market value	–	–	–
Balance at end of fiscal year	10,235	424	10,659
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	–	(21)	(21)

(*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

Discount rate

The discount rate, which is an important but not observable input, is an adjustment rate to the market interest rate and is composed primarily of a risk premium and others that reflect the amount market participants require as compensation for the uncertainty of cash flows from financial instruments arising mainly from credit risk. A substantial rise (fall) of the discount rate will cause a marked fall (rise) to the market value of 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 ¥15,332 million (major rental income and expenses are booked to revenues and cost of revenues) and gain on sales was ¥3,461 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	
468,712	(48,875)	419,836	464,143

(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 ¥63,118 million) was due to the acquisition of real estate, while the major decreases were due to the exclusion of Miyuki Building Co., Ltd. from consolidation (¥67,821 million) and the sale of real estate (¥28,458 million).

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	44,209	29,239	0	–	–	–	12
Sales from selling merchandise	12,092	2,342	–	19,737	688	–	–
Electricity sales	–	940	29,731	–	–	–	–
Sales from disposal of lease properties, etc. (*2)	–	87,094	–	18,117	3,365	–	143
Other	8,099	16,829	98	2,654	302	9,563	89
Revenue from contracts with customers	64,400	136,446	29,829	40,510	4,355	9,563	245
Other revenue (*3)	904,451	357,637	16,125	281,353	131,794	107,171	5,364
Total	968,851	494,084	45,954	321,863	136,150	116,735	5,609

(Millions of yen)

	Adjusted amount (*1)	Amount recorded in consolidated statement of income
Sales from maintenance contracts	–	73,461
Sales from selling merchandise	–	34,860
Electricity sales	–	30,671
Sales from disposal of lease properties, etc. (*2)	–	108,720
Other	1,504	39,140
Revenue from contracts with customers	1,504	286,855
Other revenue (*3)	54	1,803,952
Total	1,558	2,090,808

(Notes) 1. Adjustments to revenues are corporate sales not attributed to reportable segments. In addition, the adjustment includes ¥(686) 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, etc. refer to sales from the disposal of lease properties upon lease contract maturities, as well as sales from the disposal of properties involving the transfer of lease contracts, etc., by subsidiaries outside Japan that adopt International Financial Reporting Standards or U.S. accounting standards.

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

(Changes in presentation)

Sales from the disposal of properties involving the transfer of lease contracts, etc. (¥8,399 million in the previous fiscal year), which were previously included in “Other,” are presented under “Sales from disposal of lease properties, etc.” to improve clarity of disclosure in the fiscal year under review.

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	¥1,246.64
Earnings per share	¥94.19

(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 (2,527 thousand shares as of March 31, 2025). 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 (2,591 thousand shares as of March 31, 2025).

<Notes on significant subsequent events>

None.

Non-consolidated statement of changes in equity

(April 1, 2024 to March 31, 2025)

(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, 2024	33,196	33,802	508,998	542,801	638	72,035	348,166	420,840
Changes during fiscal year								
Dividends from surplus							(56,058)	(56,058)
Net income							47,493	47,493
Purchase of treasury shares								
Disposal of treasury shares			(112)	(112)				
Net changes in items other than shareholders' equity								
Total changes during fiscal year	–	–	(112)	(112)	–	–	(8,564)	(8,564)
Balance at end of period as of March 31, 2025	33,196	33,802	508,886	542,688	638	72,035	339,602	412,275

	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, 2024	(20,894)	975,943	9,557	(136,258)	(126,701)	1,866	851,108
Changes during fiscal year							
Dividends from surplus		(56,058)					(56,058)
Net income		47,493					47,493
Purchase of treasury shares	(0)	(0)					(0)
Disposal of treasury shares	766	654					654
Net changes in items other than shareholders' equity			955	18,125	19,080	(498)	18,582
Total changes during fiscal year	766	(7,911)	955	18,125	19,080	(498)	10,671
Balance at end of period as of March 31, 2025	(20,128)	968,032	10,512	(118,132)	(107,620)	1,368	861,780

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, revised on September 13, 2024).
      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 ¥12,282 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 (11 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.

(6) Provision for loss on guarantees

To prepare for potential losses related to debt guarantees, the Company records estimated loss amounts based on the financial condition and other factors of the guaranteed parties.

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 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 officer in charge.

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 ¥128,049 million in investment securities, ¥437 million in securities, and ¥95,189 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 ¥9,246 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)
Installment receivables	4,979
Lease receivables	8,255
Investments in leases	31,928
Operating loans receivables	386
Loans receivable from subsidiaries and associates	8,151
Investment securities	11,667
Shares of subsidiaries and associates	539
Investments in other securities of subsidiaries and associates	15,986
Total	81,894

(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)	38,168

(Note) Of the assets pledged as collateral, ¥152 million in investments in leases, ¥386 million in operating loans receivables, ¥8,151 million in loans receivable from subsidiaries and associates, ¥11,667 million in investment securities, ¥539 million in shares of subsidiaries and associates, and ¥15,986 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	248,739
Own-used assets	5,815
Total	254,554

4. Guarantee obligations, etc.

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

	(Millions of yen)
Operating guarantees amount	12,318

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

	(Millions of yen)
PFI MC One Y.K.	2,304
Diamond Transmission Partners Hornsea One Limited	1,605
Other	1,048
Subtotal	4,958

(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	1,250,373
Mitsubishi HC Capital UK PLC	952,445
JSA International U.S. Holdings, LLC	439,090
CAI International, Inc.	200,197
Mitsubishi HC Capital America, Inc.	165,820
Mitsubishi HC Capital Canada Leasing, Inc.	102,638
MHC Mobility B.V.	66,748
Jackson Square Aviation Ireland Ltd.	62,966
Engine Lease Finance Corporation	50,769
Mitsubishi HC Capital Canada, Inc.	50,626
Mitsubishi HC Capital (Thailand) Co., Ltd.	40,739
MHC America Holdings Corporation	40,714
MHC Mobility Sp. z o.o.	39,238
Mitsubishi HC Capital Malaysia Sdn. Bhd.	33,982
Bangkok Mitsubishi HC Capital Co., Ltd.	29,949
PT. Mitsubishi HC Capital and Finance Indonesia	19,888
MHC Mobility GmbH	18,871
PT. Arthaasia Finance	16,777
PT. Takari Kokoh Sejahtera	12,725
MHC Mobility Zrt.	8,639
ALD MHC Mobility Services (Thailand) Co., Ltd.	8,433
MHCC Singapore Pte. Ltd.	7,061
Mitsubishi HC Capital (Hong Kong) Limited	5,999
Mitsubishi HC Capital (Shanghai) Co., Ltd.	5,108
Mitsubishi HC Capital Asia Pacific Pte. Ltd.	4,465
Mitsubishi HC Capital Leasing (Beijing) Co., Ltd.	4,066
MHC Management (Thailand) Co., Ltd.	2,321
ALD MHC MOBILITY SERVICES MALAYSIA SDN. BHD.	1,024
Other	53
Subtotal	3,641,738

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

	(Millions of yen)
Employee (residential funds)	13
Total	3,659,029

5. Monetary claims and liabilities related to subsidiaries and associates

	(Millions of yen)
Short-term monetary claims	100,541
Long-term monetary claims	1,324
Short-term monetary liabilities	47,893
Long-term monetary liabilities	20,349

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)	3,139
Contract assets	–
Contract liabilities (*2)	2,013

(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	52,849
Cost of revenues	1,989
Selling, general and administrative expenses	5,409
Purchase of leased assets, etc.	7,346
Other transaction volume except operating transactions	83,326

3. Breakdown of capital costs

	(Millions of yen)
Interest expenses	24,874
Interest income	(150)
Total	24,724

4. Loss on valuation of shares of subsidiaries and associates
This mainly includes ¥16,524 million recorded by Mitsubishi HC Capital Realty (U.S.A.) Inc., a consolidated subsidiary.

<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)	32,489	0	1,139	31,351
Total	32,489	0	1,139	31,351

(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 0 thousand shares in treasury shares of common stock was due to the purchase of shares less than one unit.
3. The decrease of 1,139 thousand shares in treasury shares of common stock was due to a decrease of 981 thousand shares resulting from the exercise of stock options and other factors, and a decrease of 157 thousand shares resulting from the delivery or sale of the Company's shares under the performance-linked stock compensation plan.

<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	17,298
Shares of subsidiaries and associates, etc.	12,348
Advances received - lease	6,650
Allowance for doubtful accounts	5,605
Asset retirement obligations	4,281
Investments in other securities of subsidiaries and associates	3,273
Other	14,529
Subtotal of deferred tax assets	63,989
Valuation allowance amount	(12,926)
Total of deferred tax assets	51,062

(2) Deferred tax liabilities

	(Millions of yen)
Exceptions to deferred payment basis related to lease transfers	(4,952)
Valuation difference on available-for-sale securities	(4,794)
Other	(2,831)
Total deferred tax liabilities	(12,578)
Net total of deferred tax assets	38,484

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	(48.8)
Increase in valuation allowance	15.8
Retained earnings from designated foreign subsidiaries	8.8
Increase in deferred tax assets at fiscal year-end due to a change in tax rate	(1.7)
Amortization of goodwill	1.3
Other	(0.4)
Actual effective tax rate of income taxes after application of tax effect accounting	5.6

3. Adjustment to the amounts of deferred tax assets and deferred tax liabilities due to a change in income tax rates

Due to the promulgation of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) on March 31, 2025, the “Special Corporation Tax for National Defense” will be imposed from fiscal years beginning on or after April 1, 2026. Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal years beginning on or after April 1, 2026 are calculated by changing the statutory effective tax rate from 30.6% to 31.5%.

As a result of this change in tax rate, the amount of deferred tax assets for the fiscal year (net of deferred tax liabilities) increased by ¥749 million, while income taxes - deferred decreased by ¥874 million.

<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	Mitsubishi HC Capital Estate Plus Inc.	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	3,391	Loans receivable from subsidiaries and associates	197,341
				Receiving interest income	1,671	–	–
Subsidiary	JAPAN MEDICAL LEASE CORPORATION	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	(3,117)	Loans receivable from subsidiaries and associates	76,770
				Receiving interest income	396	–	–
Subsidiary	Mitsubishi HC Business Lease Corporation	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	26,060	Loans receivable from subsidiaries and associates	199,629
				Receiving interest income	999	–	–
Subsidiary	Mitsubishi HC Capital Energy Inc.	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	12,160	Loans receivable from subsidiaries and associates	107,139
				Receiving interest income	1,248	–	–
Subsidiary	Mitsubishi HC Capital Realty Inc.	(Ownership) Direct 100%	Lending business funds	Lending business funds (*3)	38,188	Loans receivable from subsidiaries and associates	118,738
				Receiving interest income	619	–	–
Subsidiary	Mitsubishi HC Capital UK PLC	(Ownership) Direct 100%	Guarantee of obligation	Guarantee of obligation	952,445	–	–
Subsidiary	MHC Mobility B.V.	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	66,748	–	–

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 America, Inc.	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	165,820	–	–
Subsidiary	Mitsubishi HC Capital Canada, Inc.	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	50,626	–	–
Subsidiary	Mitsubishi HC Capital Canada Leasing, Inc.	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	102,638	–	–
Subsidiary	MHC Energy Europe ApS	(Ownership) Direct 100%	Underwriting capital increase	Underwriting capital increase	120,969	–	–
Subsidiary	Jackson Square Aviation Ireland Limited	(Ownership) Indirect 100%	Lending business funds Guarantee of obligation	Lending business funds	21,891	Loans receivable from subsidiaries and associates	180,515
				Receiving interest income	8,753	–	–
				Guarantee of obligation	62,966	–	–
Subsidiary	JSA International U.S. Holdings, LLC	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	439,090	–	–
Subsidiary	Engine Lease Finance Corporation	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	50,769	–	–
Subsidiary	CAI International, Inc.	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	200,197	–	–
Subsidiary	MHC America Holdings Corporation	(Ownership) Direct 100%	Underwriting capital increase	Underwriting capital increase	65,952	–	–
Subsidiary	Mitsubishi HC Finance America LLC	(Ownership) Indirect 100%	Guarantee of obligation	Guarantee of obligation	1,250,373	–	–

(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	330,248	Short-term borrowings	22,578
				Borrowing long-term business capital	–	Long-term borrowings	256,213
				Payment of interest income	14,695	–	–

(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 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.

<Notes on per share information>

Equity per share	¥599.36
Earnings per share	¥33.10

(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 (2,527 thousand shares as of March 31, 2025). 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 (2,591 thousand shares as of March 31, 2025).

<Notes on significant subsequent events>

(Transactions etc. under common control)

At the Board of Directors meeting held on December 20, 2024, the Company resolved to execute a company split, effective April 1, 2025, whereby its domestic real estate finance business managed by the Real Estate Business segment will be succeeded by Mitsubishi HC Capital Realty Inc. (hereinafter, "Mitsubishi HC Capital Realty"), a wholly owned subsidiary engaged in the real estate investment business. An absorption-type company split agreement was entered into on January 10, 2025, and the company split was executed on April 1, 2025.

(1) Overview of transaction

1) Overview of the business to be split (fiscal year ended March 2025)

・ Details of business	The domestic real estate finance business managed by the Company's Real Estate Business segment.
・ Assets	¥294,479 million
・ Liabilities	–
・ Total equity	(0)

2) Effective date of the company split
April 1, 2025

3) Legal form of the company split
An absorption-type company split in which the Company is the splitting company and Mitsubishi HC Capital Realty is the successor company.

4) Purpose of transaction
The purpose of this company split is to integrate the Company's human and management resources related to real estate finance into Mitsubishi HC Capital Realty and operate the real estate finance business and real estate investment business as a unified structure. Through this integration, the Company aims to further grow its real estate business, achieve more efficient and effective business operations, and build a portfolio that can flexibly respond to changes in the real estate market environment.

(2) Overview of accounting treatment
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).

<Notes on company subject to consolidated dividend regulations>

The Company is subject to consolidated dividend regulations.