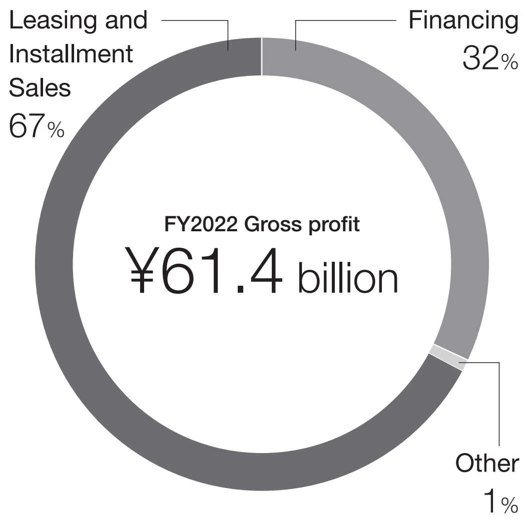
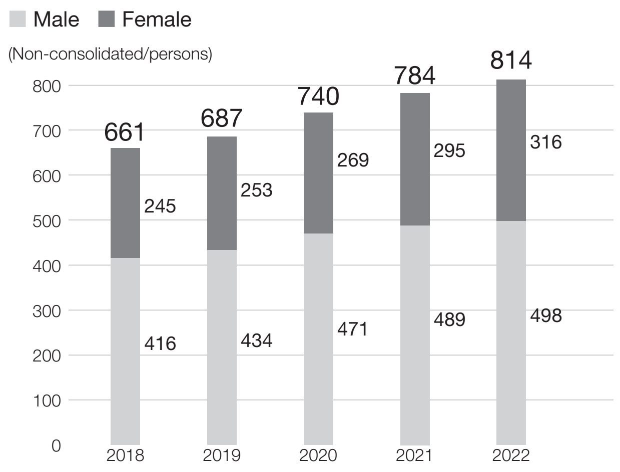
# Financial/Non-financial Highlights

The Mizuho Leasing Group comprises Mizuho Leasing, 36 consolidated subsidiaries, and 11 equity-method affiliates (as of March 31, 2023). Centered on this structure, we provide wide-ranging financial and business services, including leasing, installment sales and loans in Japan and overseas by utilizing our understanding of equipment and extensive financial expertise.

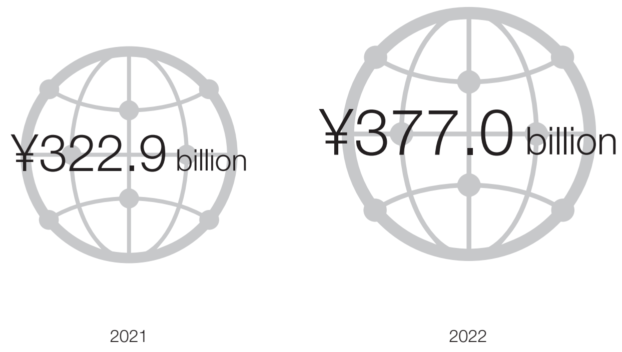
| | | |
|---|---|---|
| Leasing and Installment Sales | FY2022 Gross profit | ¥41.2 billion |
| Financing and Other | FY2022 Gross profit | ¥20.2 billion |



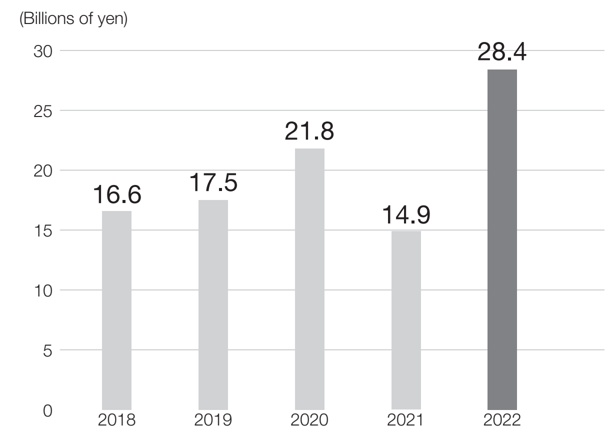

### Number of employees



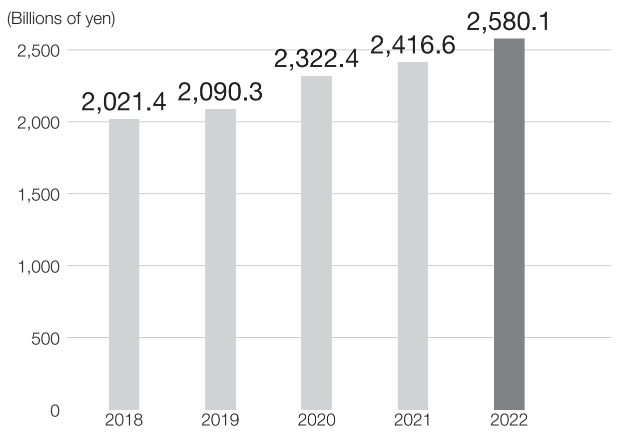

### Balance in the global area



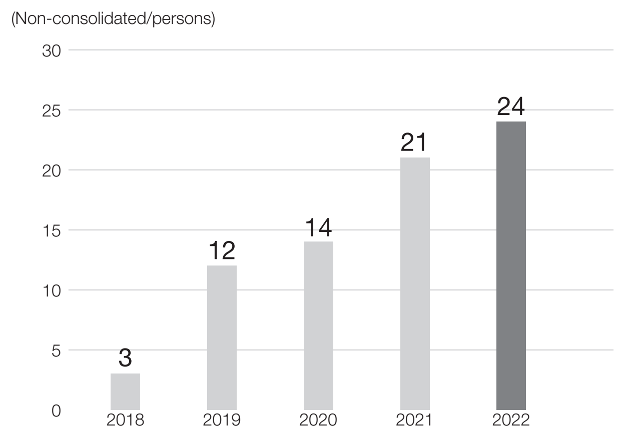

### Net income attributable to owners of the parent



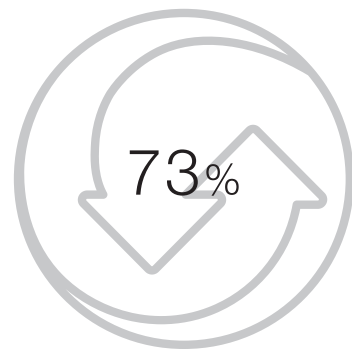

### Operating assets




### Number of women in managerial posts

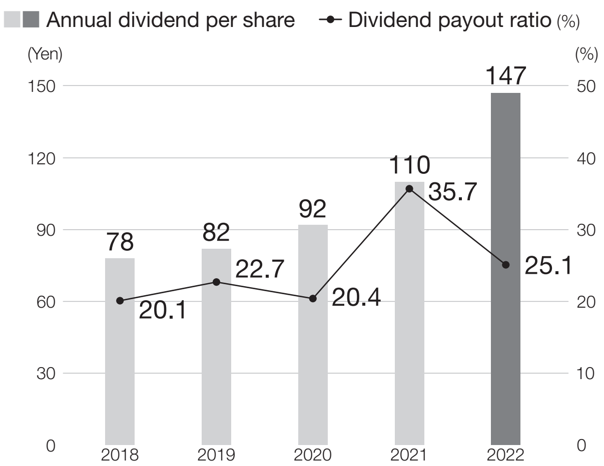



### Reuse rate* (FY2022)

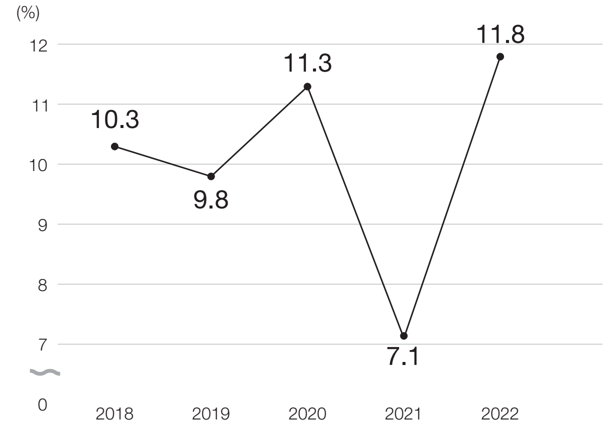



*Reuse rate: Number of equipment sold ÷ Number of equipment for which the lease term or re-lease term has expired

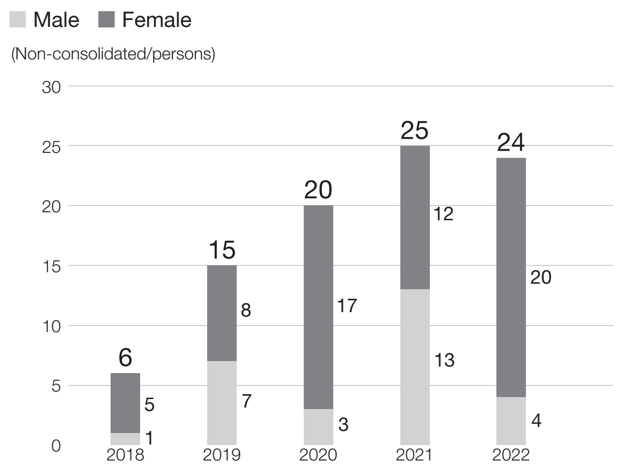
### Annual dividend per share/dividend payout ratio




### ROE




### Number of employees who took childcare leave

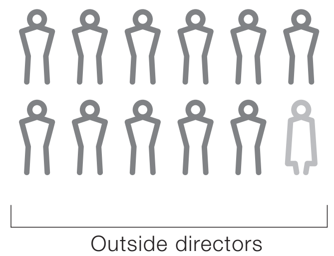



### Composition of the Board of Directors

(End of June 2023)

12 directors

6 outside directors, 1 female director




Ratio of outside directors 50%

## Consolidated Financial Results

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the year:** (Millions of yen) | | | | | | | | | | |
| Revenues | 354,779 | 353,733 | 364,174 | 429,405 | 399,738 | 384,893 | 539,241 | 497,852 | 554,809 | **529,700** |
| Gross profit before funding costs | 43,005 | 41,609 | 44,803 | 44,904 | 45,157 | 52,596 | 60,263 | 59,332 | 62,115 | **72,299** |
| Funding costs | 6,426 | 6,338 | 6,361 | 5,697 | 6,959 | 8,467 | 9,744 | 7,985 | 7,581 | **10,932** |
| Gross profit | 36,579 | 35,271 | 38,441 | 39,206 | 38,197 | 44,128 | 50,519 | 51,347 | 54,534 | **61,366** |
| Selling, general and administrative expenses | 19,877 | 17,325 | 20,868 | 21,244 | 19,034 | 21,214 | 24,243 | 25,383 | 36,640 | **29,610** |
| Operating income | 16,701 | 17,946 | 17,573 | 17,962 | 19,162 | 22,913 | 26,275 | 25,963 | 17,893 | **31,756** |
| Ordinary income | 17,405 | 18,972 | 18,570 | 18,789 | 19,964 | 24,226 | 26,714 | 27,542 | 20,064 | **40,110** |
| Net income attributable to owners of the parent | 10,531 | 11,144 | 11,609 | 12,414 | 13,643 | 16,594 | 17,512 | 21,772 | 14,902 | **28,398** |
| Ordinary income before write-offs | 18,210 | 17,021 | 19,829 | 20,326 | 19,178 | 24,070 | 26,414 | 27,885 | 30,557 | **41,135** |
| **At year-end:** (Millions of yen) | | | | | | | | | | |
| Total assets | 1,462,183 | 1,551,704 | 1,718,720 | 1,752,284 | 1,821,501 | 2,161,872 | 2,348,416 | 2,603,190 | 2,748,810 | **2,954,634** |
| Operating assets | 1,343,046 | 1,432,299 | 1,581,025 | 1,608,718 | 1,683,005 | 2,021,368 | 2,090,305 | 2,322,398 | 2,416,558 | **2,580,137** |
| Lease | 809,499 | 878,693 | 958,353 | 950,318 | 983,590 | 1,160,218 | 1,327,723 | 1,476,331 | 1,487,631 | **1,500,511** |
| Installment sales receivable* | 133,267 | 153,910 | 147,455 | 137,820 | 138,592 | 145,888 | 139,715 | 124,433 | 106,601 | **95,296** |
| Loans | 359,530 | 361,067 | 377,933 | 348,085 | 360,073 | 469,135 | 400,999 | 500,674 | 582,480 | **661,664** |
| Operational investment securities | 40,749 | 38,627 | 97,283 | 172,493 | 196,860 | 239,814 | 221,866 | 220,959 | 239,843 | **322,663** |
| Long-term receivables | 11,404 | 8,947 | 10,393 | 3,331 | 2,440 | 3,432 | 5,448 | 11,477 | 32,691 | **25,813** |
| Interest-bearing debt | 1,226,274 | 1,309,951 | 1,465,584 | 1,492,438 | 1,536,240 | 1,834,757 | 2,000,636 | 2,255,387 | 2,375,243 | **2,537,555** |
| Equity | 109,840 | 123,297 | 132,786 | 141,755 | 154,632 | 182,159 | 195,780 | 210,852 | 230,803 | **275,834** |
| **Per share data:** (Yen) | | | | | | | | | | |
| Net income | 264.75 | 261.32 | 272.20 | 291.08 | 319.91 | 388.64 | 360.49 | 450.14 | 308.07 | **586.75** |
| Equity | 2,458.28 | 2,764.23 | 2,978.61 | 3,202.27 | 3,492.55 | 3,553.92 | 3,829.02 | 4,147.40 | 4,536.14 | **5,427.77** |
| Dividends | 54.00 | 56.00 | 60.00 | 64.00 | 70.00 | 78.00 | 82.00 | 92.00 | 110.00 | **147.00** |
| **Key indicators:** (%) | | | | | | | | | | |
| Return on equity (ROE) | 11.4 | 10.0 | 9.5 | 9.4 | 9.6 | 10.3 | 9.8 | 11.3 | 7.1 | **11.8** |
| Return on assets (ROA) | 1.2 | 1.3 | 1.1 | 1.1 | 1.1 | 1.2 | 1.2 | 1.1 | 0.7 | **1.4** |
| Equity ratio | 7.2 | 7.6 | 7.4 | 7.8 | 8.2 | 8.0 | 7.9 | 7.7 | 8.0 | **8.9** |
| **Other** (Number of persons) | | | | | | | | | | |
| Number of employees | 1,036 | 1,050 | 1,072 | 1,053 | 1,081 | 1,627 | 1,745 | 1,795 | 1,864 | **1,964** |

*After subtraction of deferred profit on installment sales

## 1. Financial Results and Business Performance Overview

Looking at the economic climate in FY2022, while the global economy observed a transition to coexistence with COVID-19 and the normalization of socioeconomic activities, the outlook remained uncertain due in part to monetary tightening against the global inflation, in addition to the prolonged situation in Ukraine. The Japanese economy was on a gradual recovery track centered in the service sector as movement restrictions were eased, despite weak production activities in the manufacturing industry due in part to sluggish capital investment and a shortage of semiconductors. We recognize that the situations will continue to require attention as overseas economies are slowing down due to monetary tightening in the U.S. and Europe, and Japan suffers from soaring prices and a tight labor market. We will continue to monitor their monetary policies.

In the leasing industry, capital investment has been picking up on the back of a recovery in economic activity, and therefore, the transaction volumes were on a par with the previous fiscal year's levels.

In this environment, under the Sixth Medium-term Management Plan covering a five-year period from FY2019 to FY2023, the Group promoted joint projects with clients, carried out efforts in focus areas (Environment and Energy, Medical and Healthcare, Real Estate, Global, Aircraft, and Technology) in view of changes in the social and industrial structures, and took on the challenge of expanding our business foundation and advancing into new business areas through alliance and cooperation with alliance partners, including the Mizuho Group and the Marubeni Group.

We are seeking to achieve the following consolidated numerical targets in the final fiscal year: "¥30.0 billion in net income attributable to owners of the parent," "tripling the balance in the global area from that at the end of March 2019," and "25% or more in the consolidated dividend payout ratio." With these targets, we aim to achieve the Group's further growth and increase the value to provide to our stakeholders.

Under these circumstances, in FY2022, we focused on providing solutions that capture the business and financial strategic needs of our clients and steadily carried out efforts in the focus areas amid socioeconomic activities moving from the COVID-19 pandemic to normalization.

As a result, the contract execution volume increased by 7.3% to ¥1,470,485 million from the previous fiscal year (as of March 31, 2022).

Regarding the results, revenues decreased ¥25,108 million (4.5%) year on year to ¥529,700 million due to multiple sales of properties upon completion of projects of real estate in the previous fiscal year. Cost of revenues also decreased ¥31,941 million (6.4%) year on year to ¥468,333 million. Gross profit increased ¥6,832 million (12.5%) year on year to ¥61,366 million due to a buildup in assets in the profitable financing and real estate areas under the Sixth Medium-term Management Plan, which included cooperation with the Mizuho Financial Group. Selling, general and administrative expenses decreased ¥7,030 million (19.2%) year on year to ¥29,610 million mainly due to low credit costs. Operating income increased ¥13,862 million (77.5%) year on year to ¥31,756 million. Ordinary income increased ¥20,046 million (99.9%) year on year to ¥40,110 million due to substantially increased equity in earnings of associated companies. As for extraordinary income and loss, extraordinary income was ¥298 million mainly due to gain on bargain purchase, which was partly offset by extraordinary loss of ¥371 million mainly due to loss on sales of investment securities, resulting in net extraordinary loss of ¥73 million.

As a result of the above, net income attributable to owners of the parent increased ¥13,495 million (90.6%) year on year to ¥28,398 million.

The financial position is as follows.

The overall contract execution volume in leasing and installment sales decreased by 8.8% to ¥489,128 million from the previous year (fiscal year ended March 31, 2022) due to the impact of the spread of COVID-19. On the contrary, the volume in financing increased 17.7% year on year to ¥981,356 million, mainly due to the accumulation of large-scale contracts executed in the focus areas such as real estate and aircraft. As a result, the total contract execution volume rose 7.3% year on year to ¥1,470,485 million. Operating assets at the end of FY2022 was ¥2,580,137 million, a ¥163,578 million increase from the end of the previous fiscal year (fiscal year ended March 31, 2022), and total assets rose by ¥205,823 million from the end of the previous fiscal year to ¥2,954,634 million. This was attributable to the buildup of assets reflecting proposals that successfully helped clients solve their business issues, primarily in the areas of real estate and environment, mainly through cooperation with the Mizuho Financial Group.

Meanwhile, total liabilities increased ¥160,792 million from the end of the previous fiscal year to ¥2,678,800 million, of which, interest-bearing debt increased ¥162,311 million to ¥2,537,555 million owing to the growth in operating assets.

Total equity stood at ¥275,834 million, showing a continued growth due to the accumulation of income during the fiscal year.

### Results of Operations by Segment

The financial results for each segment are as follows. (Revenues indicate revenues from external clients.)

### [Leasing and Installment Sales]

Revenues in leasing and installment sales decreased by 6.1% to ¥505,000 million from the previous year (fiscal year ended March 31, 2022), driven by a decrease in sales of properties upon completion of projects of real estate. Operating income decreased 9.8% from the previous year to ¥21,409 million.

Operating assets as of March 31, 2023 was ¥1,595,808 million, a ¥1,574 million increase from the end of the previous fiscal year mainly due to the accumulation of contracts executed in the areas of real estate and aircraft.

### [Financing]

Revenues in financing increased 44.3% year on year to ¥23,563 million due to a buildup in assets, and operating income amounted to ¥16,244 million.

Operating assets as of March 31, 2023 increased ¥162,003 million from the end of the previous fiscal year to ¥984,328 million, pushed up by the accumulation of large-scale contracts executed in the focus areas of real estate and aircraft.

### [Other]

In the other segment, revenues increased 34.7% year on year to ¥1,135 million, and operating income increased 44.0% year on year to ¥388 million.

## 2. Results of Operations and Financial Position

Under the Sixth Medium-term Management Plan covering a five-year period from FY2019 to FY2023, the Group promoted joint projects with clients, carried out efforts in focus areas (Environment and Energy, Medical and Healthcare, Real Estate, Global, Aircraft, and Technology) in view of changes in the social and industrial structures, and took on the challenge of expanding our business foundation and advancing into new business areas through alliance and cooperation with alliance partners, including the Mizuho Group and the Marubeni Group.

Our specific efforts put into the focus areas during FY2022 are as follows.

### [Environment and Energy]

We put more effort into the renewable energy area and drove efforts in the business itself, going beyond equipment leasing. For example, we supplied electricity derived from non-FIT solar power generation facilities, promoted the solar power generation business using the self-consignment method and corporate PPA solution, and invested in a U.K. onshore wind project. We also improved convenience of EVs and developed new solutions using on-board storage batteries as we invested in a company working to make commercial EVs and energy management systems widely available. Through these efforts, we contribute to expanding the use of renewable energy and assist our clients in implementing decarbonization and sustainability initiatives.

### [Real Estate]

We continued to engage in the business of temporarily holding real estate for a period of time that meets the needs of REIT clients and other clients through our subsidiary ML Estate Company, Limited. We also invested in a fund that would acquire Otemachi PLACE, which is located in one of Japan's leading business areas and has the highest level of environmental performance. Furthermore, we further deepened cooperation with Nippon Steel Kowa Real Estate Co., Ltd., which became our equity-method affiliate, to take on the challenge of starting a new business by, for example, seeking to strengthen CRE proposal capabilities and expand the product lineup.

### [Global]

We facilitated collaboration with our alliance partners and reached an agreement to acquire a 51% stake in Rent Alpha Pvt. Ltd., an Indian equipment leasing company, subject to regulatory approval, to expand our business fields.

### [Aircraft]

We were in a harsh operating environment due to the COVID-19 pandemic, rising tensions in the Ukraine situation, and other factors; however, in anticipation of a global recovery in air travel demand and a medium- to long-term recovery in aircraft operating leases, we worked at setting up projects through strengthening cooperation with our alliance partners.

For cooperation and collaboration with our alliance partners, we have further deepened alliance between Mizuho Group companies and the Mizuho Leasing Group and combined the functions of both groups, thereby offering a variety of solutions to clients. One such example is the procurement of renewable energy through low-voltage, distributed solar power generation facilities using the self-consignment method. This was the first initiative and among the largest in Japan, and we worked together with a few companies of the Mizuho Group.

We also promoted initiatives to strengthen existing businesses and create new business opportunities through an alliance with the Marubeni Group in overseas business and an alliance with Ricoh Company, Ltd. and RICOH LEASING COMPANY, LTD.

Furthermore, as a challenge of advancing into new business areas, we reached a basic agreement with TRE HOLDINGS CORPORATION on building a business scheme for a circular economy, aiming to realize an advanced circular economy and a decarbonized society. Moreover, we established Future Creation Capital Co., Ltd. to enable participation in CVCs. Through collaboration with Mizuho Capital Co., Ltd., which became our equity-method affiliate, we are promoting investment in startups and collaboration in business.

### Source of Capital and Liquidity of Funds

In order to offer wide-ranging financial services to meet customer needs, the Group strives for funding that ensures stability and curtails costs. The Group also raises funds flexibly based on each annual cash plan and comprehensive asset liability management (ALM) policies that respond to fluctuations in the financial environment.

The Group's funds comprise long-term and short-term procurements using a combination of indirect funding via borrowing from financial institutions and direct funding from the market. As of March 31, 2023, indirect funding increased

¥112,420 million compared with the end of the previous fiscal year (as of March 31, 2022) to ¥1,415,103 million. Direct funding increased ¥49,890 million compared with the end of the previous fiscal year to ¥1,122,451 million, primarily due to the issuance of commercial paper and corporate bonds.

In addition, the Group had concluded overdraft agreements and commitment line agreements in the total amount of ¥931,961 million with 50 financial institutions as of the end of FY2022 with the aim of securing liquidity of working capital and flexibility in funding. The unused balance under these agreements is ¥518,320 million, which ensures sufficient liquidity.

**Status of Cash Flows**

Concerning the status of cash flows in FY2022, there was an increase in operating assets and other types of cash outflows accompanied by business activities, including investing in project bonds, for which we raised funds in the market and through borrowings from financial institutions while securing liquidity of funds. As a result, the balance of cash and cash equivalents as of the end of FY2022 increased ¥8,951 million compared with the end of the previous fiscal year (fiscal year ended March 31, 2022) to ¥33,453 million. The status of cash flow from each activity category and their factors are as follows.

Net cash used in operating activities was ¥117,816 million due to an increase in operating assets, mainly in financing.

Net cash used in investing activities was ¥17,111 million mainly due to investment in renewable energy projects.

Net cash provided by financing activities was ¥143,518 million due to indirect financing of ¥99,863 million and direct financing of ¥49,345 million such as through commercial paper and corporate bonds, despite cash dividends paid of ¥5,880 million.

# Business Risks and Other Risks

The following factors constitute the principal risks related to the Group's business operations, such as its financial position, results of operations, and status of cash flows, that the Group recognizes as having the potential to materially affect investors' decisions.

In addition to taking measures against each of these individual risks, the Group is also working to develop and intensify its risk management system so that it can respond promptly and appropriately to such risks when they materialize.

Please note that any predictions for the future contained in this section were made as of March 31, 2023.

**1. Risks Related to Operating Environment**

The Group operates its business mainly based on lease transactions to serve its clients' business activities.

If our clients' business activities are disrupted by a surge in energy and resource prices due to regional conflicts, stagnation of production activities in the manufacturing industry due to disruptions in global supply chains, or rapid fluctuations in interest rates and foreign exchange rates in international financial markets, and thus their capital investments are significantly reduced, this may affect the Group's business performance.

**2. Credit Risk**

Comprising the main business activity of the Mizuho Leasing Group, lease transactions involve the provision of credit to clients in the form of leases over relatively long terms (averaging five years). The initial expected revenue is secured by collecting the full amount of leasing fees from the client. We have a risk that a client may suffer a decline in business due to a slump in the economy, causing us to be unable to collect initially expected leasing fees and other fees.

In order to cope with such a situation, the Mizuho Leasing Group determines the appropriateness of entering into contracts by conducting strict credit checks at the start of each transaction and assessing the future second-hand value of leased equipment. Once a transaction has begun, we regularly monitor the client's credit status and take various measures to ensure collection if needed.

Moreover, in instances when a client's credit status has deteriorated and issues such as non-payment of leasing fees occur, we work to recover as much of the outstanding amount as possible through the sale or transfer of leased equipment to other clients.

However, there is a possibility that a sudden change in the economic environment and the deterioration of clients' credit conditions may generate credit costs that exceed expectations, which could adversely affect the Group's business performance.

**3. Liquidity Risk (Funding)**

The Group procures funds through bank borrowings as well as the issuance of corporate bonds and commercial paper to finance its business needs. If we have difficulty raising funds due to rapid fluctuations in the financial markets or deterioration of the Group's financial condition, such funding constraints could affect the Group's business activities.

In order to cope with such liquidity risks, the Group diversifies its funding methods, and adjusts its funding structure and liquidity on hand in consideration of the market environment.

**4. Interest Rate Fluctuation Risk**

The Group procures funds through bank borrowings as well as the issuance of corporate bonds and commercial paper to finance its business needs.

Since the conditions for interest income for leasing and securities investment (which are based on the level, the lease period and whether the rate is the fixed or floating) and those for funding interest rates differ, fluctuations in interest rates may affect interest income and expenditure.

To mitigate the risk of such interest rate fluctuations, we carry out hedging using derivative transactions, in addition to procuring funds in line with the conditions for interest income for the corresponding assets.

Specifically, we manage interest rate fluctuation risk by controlling the matching ratio (setting the ratio of the portion of assets not subject to interest rate fluctuation risk by allocating liabilities and derivatives with fixed-rate interest and floating-rate interest to assets with fixed-rate and floating-rate yields) through the use of asset liability management (ALM) techniques.

**5. Asset Risk**

The Group is engaged in businesses including real estate leasing, investment in and lending of real estate, and aircraft leasing. To manage risks, we carefully assess the creditworthiness, future income and expenditure, and asset values of our clients. However, if the business performance of a client deteriorates or the asset value of a property declines significantly, this may affect the Group's business performance.

As a response to such a decline in asset values, we have established an internal management system to monitor the credit status of clients, trends in asset values, and future income/expenditure projections, and make flexible responses to minimize the impact on the Group.

**6. Risks Arising from Business Activities**

Risks arising from business activities include: inappropriate processing of clerical work; system risks due to system failures or malfunctions; risks related to information security due to loss, leakage, or removal of information; compliance risks that may lead to loss of social credibility as a result of failure to abide by laws, regulations and social norms; and risks of litigation against the Group in connection with our business activities. These risks, if they materialize, can lead to loss of revenue opportunities or incur compensatory damages, which may result in affecting the Group's business performance.

Therefore, we have established a risk management structure to ensure a flexible and group-wide response to such situations, and control risks to keep the impact on the Group to a minimum.

**7. Risks Associated with Disasters, etc.**

Unexpected economic losses caused by unpredictable events such as earthquakes, storms, and flooding could affect the Group's business performance.

As responses to such situations, we have formulated a business continuity plan, and put in place a system to continue our business activities, thereby taking measures to minimize the impact on the Group.

**8. Cybersecurity Risk**

The Group uses various information systems to manage its business activities, as well as email and other means to connect to the outside world. These information systems are at risk of cyberattacks, such as computer viruses and unauthorized external access. As a result, in the event of a system outage or failure, and information leakage or unauthorized use, the Group's business performance could be affected by economic losses due to responses to compensatory damages, loss of credibility, and stagnation of business activities.

In response to such situations, we conduct human and technical management and provide education and various training programs for cyber security. Other measures include conducting cyber security assessments to detect and respond to vulnerabilities and other issues.

**9. Risks Related to Climate Change**

The Group is taking steps to address climate change, including the implementation of scenario analysis and the disclosure of information on climate change. If we fail to keep pace with technological innovations or changes in business models to cope with abnormal weather conditions, such as typhoons and torrential rains, or tighter laws and regulations, this may affect our clients' business activities and the Group's business performance.

**10. Risks Related to the Impact of COVID-19**

We believe that the impact of COVID-19 will subside because the national and local governments are expanding and enhancing the quarantine systems and improving the health care systems, despite remaining concerns that the number of new cases may rebound again following changes in the national government's policy on COVID-19, which include reclassifying it as a Class V infectious disease under the infectious disease law. Depending on the future infection situation, factors such as an increase in credit costs due to a decline in clients' business performance caused by the economic downturn and a rise in fund procurement costs may affect the business performance of the Mizuho Leasing Group.

## Consolidated Balance Sheet

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| **ASSETS** | | | |
| **Current Assets:** | | | |
| Cash and Cash Equivalents | ¥ 33,453 | ¥ 24,502 | $ 250,515 |
| Lease Receivables and Investments in Lease (Notes 6, 9, 17 and 18) | 1,122,211 | 1,172,643 | 8,403,562 |
| Receivables (Notes 6, 9 and 18): | | | |
| Notes and Accounts | 751 | 549 | 5,629 |
| Lease | 4,416 | 4,925 | 33,075 |
| Installment Sales | 98,523 | 109,376 | 737,781 |
| Loans | 511,639 | 395,300 | 3,831,358 |
| Factoring | 150,025 | 187,180 | 1,123,449 |
| Total Receivables | 765,356 | 697,333 | 5,731,292 |
| Operational Investment Securities (Notes 5, 6, 9 and 18) | 322,663 | 239,843 | 2,416,233 |
| Prepaid Expenses and Other (Note 22) | 37,018 | 33,608 | 277,212 |
| Allowance for Doubtful Receivables (Note 3) | (1,036) | (1,249) | (7,759) |
| Total Current Assets | 2,279,668 | 2,166,681 | 17,071,055 |
| **Property and Equipment:** | | | |
| Leased Assets (Notes 5, 6, 9 and 18) | 368,747 | 304,880 | 2,761,329 |
| Advances for Purchases of Leased Assets | 299 | 0 | 2,245 |
| Own-used Assets | 3,797 | 3,585 | 28,439 |
| Total Property and Equipment | 372,845 | 308,467 | 2,792,013 |
| **Investments and Other Assets:** | | | |
| Investment Securities (Notes 5, 9 and 18) | 17,157 | 18,059 | 128,484 |
| Investments in Unconsolidated Subsidiaries and Associated Companies | 223,460 | 185,594 | 1,673,360 |
| Long-term Receivables (Note 18) | 25,813 | 32,691 | 193,301 |
| Intangible Leased Assets (Note 6) | 9,552 | 10,107 | 71,531 |
| Deferred Tax Assets (Note 12) | 7,085 | 9,804 | 53,063 |
| Asset for Employees' Retirement Benefits (Note 11) | 759 | 856 | 5,687 |
| Other (Note 8) | 23,432 | 25,029 | 175,473 |
| Allowance for Doubtful Receivables (Note 3) | (5,141) | (8,482) | (38,504) |
| Total Investments and Other Assets | 302,120 | 273,661 | 2,262,395 |
| Total Assets | ¥ 2,954,634 | ¥ 2,748,810 | $ 22,125,463 |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Balance Sheet

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| **LIABILITIES and EQUITY** | | | |
| **Current Liabilities:** | | | |
| Short-term Borrowings (Notes 9, 10, 18 and 22) | ¥ 1,206,016 | ¥ 1,180,237 | $ 9,031,129 |
| Current Portion of Long-term Debt (Notes 9, 10, 18 and 22) | 272,009 | 270,456 | 2,036,916 |
| Lease Payable (Notes 17 and 18) | 18,219 | 10,382 | 136,435 |
| Accounts Payable - trade (Note 18) | 24,512 | 34,698 | 183,557 |
| Accrued Expenses (Note 22) | 4,964 | 4,037 | 37,174 |
| Income Taxes Payable | 2,719 | 4,459 | 20,364 |
| Deferred Profit on Installment Sales (Note 6) | 3,226 | 2,775 | 24,160 |
| Reserve for Management Board Benefit Trust - current | 726 | 151 | 5 ,441 |
| Accruals for Debt Guarantees | 14 | 19 | 105 |
| Other | 41,046 | 41,158 | 307,369 |
| Total Current Liabilities | 1,573,455 | 1,548,375 | 11,782,650 |
| **Long-term Liabilities:** | | | |
| Long-term Debt (Notes 9, 10, 18 and 22) | 1,059,528 | 924,550 | 7,934,167 |
| Deposits Received | 30,550 | 31,038 | 228,775 |
| Liability for Employees' Retirement Benefits (Note 11) | 2,409 | 2,349 | 18,041 |
| Reserve for Management Board Benefit Trust (Note 2(z)) | — | 504 | — |
| Other | 12,856 | 11,188 | 96,276 |
| Total Long-term Liabilities | 1,105,345 | 969,632 | 8,277,259 |
| **Commitments and Contingent Liabilities (Note 13)** | | | |
| **Equity:(Notes 2(z), 14, 21 and 23)** | | | |
| Common Stock<br>Authorized, 140,000,000 Shares;<br>Issued, 49,004,000 Shares as of March 31, 2023 and 2022 | 26,088 | 26,088 | 195,357 |
| Capital Surplus | 23,941 | 23,941 | 179,284 |
| Retained Earnings | 181,484 | 158,966 | 1,359,029 |
| Treasury Stock - at cost<br>593,299 shares as of March 31, 2023 and<br>626,799 shares as of March 31, 2022 | (1,618) | (1,709) | (12,118) |
| Accumulated Other Comprehensive Income: | | | |
| Unrealized Gain on Available-for-sale Securities | 11,849 | 7,252 | 88,731 |
| Deferred Loss on Derivatives under Hedge Accounting | (2,204) | (1,817) | (16,508) |
| Foreign Currency Translation Adjustments | 22,620 | 5,977 | 169,388 |
| Defined Retirement Benefit Plans | 601 | 747 | 4,504 |
| Total | 262,762 | 219,445 | 1,967,667 |
| Non-controlling Interests | 13,071 | 11,357 | 97,887 |
| Total Equity | 275,834 | 230,803 | 2,065,554 |
| **Total Liabilities and Equity** | ¥ 2,954,634 | ¥ 2,748,810 | $ 22,125,463 |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Income

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| **Revenues** | ¥ 529,700 | ¥ 554,809 | $ 3,966,605 |
| **Cost and Expenses** | 468,333 | 500,274 | 3,507,065 |
| **Gross Profit** | 61,366 | 54,534 | 459,540 |
| **Selling, General and Administrative Expenses (Note 15)** | 29,610 | 36,640 | 221,736 |
| **Operating Income** | 31,756 | 17,893 | 237,804 |
| **Other Income (Expenses):** | | | |
| Interest Income (Note 22) | 18 | 3 | 140 |
| Dividend Income | 515 | 840 | 3,858 |
| Equity in Earnings of Associated Companies | 9,718 | 2,035 | 72,775 |
| Profit from Investments | — | 389 | — |
| Interest Expenses | (1,613) | (960) | (12,082) |
| Bond Issuance Costs | (399) | (439) | (2,991) |
| Gain on Sales of Investment Securities | 72 | 175 | 543 |
| Gain on bargain purchase | 225 | — | 1,689 |
| Loss on Sales of Investment Securities | (347) | — | (2,605) |
| Loss on Devaluation of Investment Securities | (14) | (11) | (111) |
| Loss on Retirement of Own-used Assets | (9) | (0) | (69) |
| Other — net | 114 | 300 | 859 |
| **Income before Income Taxes** | 40,036 | 20,227 | 299,810 |
| **Income Taxes:(Note 12)** | | | |
| Current | 7,877 | 9,314 | 58,988 |
| Deferred | 2,710 | (4,627) | 20,298 |
| Total | 10,587 | 4,686 | 79,286 |
| **Net Income** | 29,448 | 15,540 | 220,524 |
| **Net Income attributable to Non-controlling Interests** | 1,050 | 638 | 7,863 |
| **Net Income attributable to Owners of the Parent** | ¥ 28,398 | ¥ 14,902 | $ 212,661 |

| | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| **Amounts per Share of Common Stock (Notes 2(w) and 23)** | | | |
| Net Income attributable to Owners of the Parent per Share | ¥ 586.75 | ¥ 308.07 | $ 4.39 |
| Cash Dividends applicable to the fiscal year | ¥ 147.00 | ¥ 110.00 | $ 1.10 |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Comprehensive Income

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| **Net Income** | ¥ 29,448 | ¥ 15,540 | $ 220,524 |
| **Other Comprehensive Income (Loss):(Note 20)** | | | |
| Unrealized Gain on Available-for-sale Securities | 4,818 | 880 | 36,084 |
| Deferred Loss on Derivatives under Hedge Accounting | (452) | (740) | (3,390) |
| Foreign Currency Translation Adjustments | 15,347 | 10,005 | 114,929 |
| Defined Retirement Benefit Plans | (106) | 74 | (797) |
| Share of Other Comprehensive Income (Loss) in Associated Companies | 1,849 | (653) | 13,853 |
| Total Other Comprehensive Income | 21,457 | 9,566 | 160,679 |
| **Comprehensive Income** | ¥ 50,905 | ¥ 25,107 | $ 381,203 |
| **Total Comprehensive Income attributable to:** | | | |
| Owners of the Parent | ¥ 49,105 | ¥ 23,899 | $ 367,720 |
| Non-controlling Interests | 1,800 | 1,208 | 13,483 |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2023

| | Thousands | Millions of yen | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Accumulated Other Comprehensive Income | | | | | | |
| | *Number of shares of Common Stock Outstanding* | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Gain on Available-for-sale Securities | Deferred Loss on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans | Total | Non-controlling Interests | Total Equity |
| **Balance as of April 1, 2021** | *48,371* | ¥ 26,088 | ¥ 23,941 | ¥ 149,148 | ¥ (1,725) | ¥ 6,509 | ¥ (1,227) | ¥ (2,771) | ¥ 652 | ¥ 200,614 | ¥ 10,237 | ¥ 210,852 |
| Net Income attributable to Owners of the Parent | | | | 14,902 | | | | | | 14,902 | | 14,902 |
| Cash Dividends Paid | | | | (5,243) | | | | | | (5,243) | | (5,243) |
| Purchase of Treasury Stock | *(0)* | | | | (0) | | | | | (0) | | (0) |
| Disposal of Treasury Stock | *6* | | | | 16 | | | | | 16 | | 16 |
| Change in Scope of Consolidation | | | | (0) | | | | | | (0) | | (0) |
| Change in Scope of Equity Method | | | | 158 | | | | | | 158 | | 158 |
| Net change during year | | | | | | 743 | (590) | 8,749 | 94 | 8,996 | 1,119 | 10,116 |
| **Balance as of March 31, 2022** | *48,377* | ¥ 26,088 | ¥ 23,941 | ¥ 158,966 | ¥ (1,709) | ¥ 7,252 | ¥ (1,817) | ¥ 5,977 | ¥ 747 | ¥ 219,445 | ¥ 11,357 | ¥ 230,803 |
| Net Income attributable to Owners of the Parent | | | | 28,398 | | | | | | 28,398 | | 28,398 |
| Cash Dividends Paid | | | | (5,880) | | | | | | (5,880) | | (5,880) |
| Purchase of Treasury Stock | | | | | | | | | | | | |
| Disposal of Treasury Stock (Note 21) | *33* | | | | 91 | | | | | 91 | | 91 |
| Change in Scope of Consolidation | | | | | | | | | | | | |
| Change in Scope of Equity Method | | | | | | | | | | | | |
| Net change during year | | | | | | 4,596 | (386) | 16,642 | (145) | 20,706 | 1,714 | 22,421 |
| **Balance as of March 31, 2023** | *48,410* | ¥ 26,088 | ¥ 23,941 | ¥ 181,484 | ¥ (1,618) | ¥ 11,849 | ¥ (2,204) | ¥ 22,620 | ¥ 601 | ¥ 262,762 | ¥ 13,071 | ¥ 275,834 |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Accumulated Other Comprehensive Income | | | | | | |
| | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Gain on Available-for-sale Securities | Deferred Loss on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans | Total | Non-controlling Interests | Total Equity |
| **Balance as of March 31, 2022** | $ 195,357 | $ 179,284 | $ 1,190,403 | $ (12,802) | $ 54,310 | $ (13,613) | $ 44,764 | $ 5,595 | $ 1,643,298 | $ 85,048 | $ 1,728,346 |
| Net Income attributable to Owners of the Parent | | | 212,661 | | | | | | 212,661 | | 212,661 |
| Cash Dividends Paid | | | (44,035) | | | | | | (44,035) | | (44,035) |
| Purchase of Treasury Stock | | | | | | | | | | | |
| Disposal of Treasury Stock (Note 21) | | | | 684 | | | | | 684 | | 684 |
| Change in Scope of Consolidation | | | | | | | | | | | |
| Change in Scope of Equity Method | | | | | | | | | | | |
| Net change during year | | | | | 34,421 | (2,895) | 124,624 | (1,091) | 155,059 | 12,839 | 167,898 |
| **Balance as of March 31, 2023** | $ 195,357 | $ 179,284 | $ 1,359,029 | $ (12,118) | $ 88,731 | $ (16,508) | $ 169,388 | $ 4,504 | $ 1,967,667 | $ 97,887 | $ 2,065,554 |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

Mizuho Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| **Cash Flows from Operating Activities:** | | | |
| Income before Income Taxes | ¥ 40,036 | ¥ 20,227 | $ 299,810 |
| Adjustments for: | | | |
| Income Taxes Paid | (9,619) | (10,721) | (72,035) |
| Depreciation and Disposal of Fixed Assets | 17,218 | 17,202 | 128,936 |
| Equity in Earnings of Associated Companies | (9,718) | (2,035) | (72,775) |
| Loss (Profit) from Investments | 128 | (389) | 959 |
| Gain on bargain purchase | (225) | — | (1,689) |
| (Decrease) Increase in Allowance for Doubtful Receivables | (3,656) | 6,803 | (27,382) |
| (Decrease) Increase in Accruals for Debt Guarantees | (5) | 5 | (37) |
| Loss (gain) on Sales of Marketable and Investment Securities | 275 | (175) | 2,062 |
| Loss on Devaluation of Investment Securities | 14 | 11 | 111 |
| Change in assets and liabilities: | | | |
| Decrease in Lease Receivables and Investments in Lease | 59,883 | 6,748 | 448,428 |
| Increase in Receivables | (60,603) | (60,150) | (453,820) |
| Increase in Operational Investment Securities | (76,791) | (18,038) | (575,045) |
| Decrease in Accounts Payable — trade | (10,224) | (489) | (76,563) |
| Purchases of Leased Assets | (187,091) | (159,691) | (1,401,014) |
| Proceeds from Sales of Leased Assets | 119,939 | 137,449 | 898,155 |
| Increase in Interest Payable | 278 | 6 | 2,086 |
| Other — net | 2,344 | (5,260) | 17,555 |
| Total Adjustments | (157,853) | (88,723) | (1,182,068) |
| Net Cash Used in Operating Activities | (117,816) | (68,495) | (882,258) |
| **Cash Flows from Investing Activities:** | | | |
| Purchases of Own-used Assets | (1,813) | (2,331) | (13,579) |
| Purchases of Marketable and Investment Securities | (18,564) | (34,167) | (139,021) |
| Proceeds from Sales and Redemption of Marketable and Investment Securities | 2,013 | 9,738 | 15,080 |
| Other — net | 1,252 | (950) | 9,381 |
| Net Cash Used in Investing Activities | (17,111) | (27,712) | (128,139) |
| **Cash Flows from Financing Activities:** | | | |
| Net Increase in Short-term Borrowings | 27,730 | 32,114 | 207,659 |
| Proceeds from Long-term Debt | 407,666 | 364,501 | 3,052,764 |
| Repayments of Long-term Debt | (286,187) | (291,421) | (2,143,084) |
| Cash Dividends Paid | (5,880) | (5,243) | (44,035) |
| Other — net | 189 | (140) | 1,419 |
| Net Cash Provided by Financing Activities | 143,518 | 99,810 | 1,074,723 |
| **Foreign Currency Translation Adjustments on Cash and Cash Equivalents** | 361 | 371 | 2,706 |
| **Net Increase in Cash and Cash Equivalents** | 8,951 | 3,974 | 67,032 |
| **Cash and Cash Equivalents at Beginning of the Year** | 24,502 | 20,406 | 183,483 |
| **Increase in Cash and Cash equivalents resulting from inclusion of subsidiaries in consolidation** | — | 120 | — |
| **Cash and Cash Equivalents at End of the Year** | ¥ 33,453 | ¥ 24,502 | $ 250,515 |

See accompanying Notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Mizuho Leasing Company, Limited ("the Company") and its consolidated subsidiaries (together with the Company, "the Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("JGAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.54 to US$1.00, the approximate rate of exchange at March 31, 2023. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. The amounts indicated in millions of yen are rounded down by truncating the figures below one million. As a result, totals may not add up exactly.

### 2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Group, which include Dai-ichi Leasing Co., Ltd., Mizuho-TOSHIBA Leasing Company, Limited, ML Estate Company, Limited, Mizuho Auto Lease Company, Limited, Mizuho Leasing (China) Ltd., Mizuho Leasing (Singapore) Pte. Ltd., and PT MIZUHO LEASING INDONESIA Tbk.

The number of consolidated subsidiaries as of March 31, 2023 and 2022 was 36 and 38, respectively. The consolidated financial statements for the year ended March 31, 2023 newly include the account of MLC AIRCRAFT LEASING LLC. as it was newly incorporated, as well as the accounts of GOUDOUGAISHA ISLANDSHIP4GOU, Purple Sunbird Leasing Limited and 1 other company, of which the Company acquired shares. The accounts of MLV CO. LIMITED and 5 other companies were excluded from the consolidated financial statements, as they were liquidated during the year.

The number of associated companies accounted for under the equity method as of March 31, 2023 and 2022 was 11. Investments in associated companies include Mizuho Marubeni Leasing Corporation, RICOH LEASING COMPANY, LTD., NIPPON STEEL KOWA REAL ESTATE CO., LTD., Mizuho Capital Co., Ltd., Krungthai Mizuho Leasing Company Limited, PNB-Mizuho Leasing and Finance Corporation, PLM Fleet, LLC, Aircastle Limited, Vietnam International Leasing Co., Ltd., and Affordable Car Leasing Pty Ltd.

The condensed financial information of the 11 associated companies (by simply compiling the amounts in the financial statements of the respective companies) as of and for the year ended March 31, 2023 and 2022 were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| Current Assets | ¥ 407,157 | ¥ 396,436 | $ 3,048,958 |
| Non Current Assets | 642,406 | 557,126 | 4,810,595 |
| Current Liabilities | 329,035 | 285,298 | 2,463,949 |
| Long-term Liabilities | 432,361 | 417,052 | 3,237,693 |
| Total Equity | 288,167 | 251,211 | 2,157,911 |
| Revenues | ¥ 178,664 | ¥ 150,055 | $ 1,337,911 |
| Income before Income Taxes | 21,981 | 4,462 | 164,608 |
| Net Income | ¥ 16,624 | ¥ 1,583 | $ 124,491 |

Kaikias Leasing Co., Ltd. and 102 other subsidiaries are neither consolidated nor accounted for under the equity method, as they are acting as operators under Tokumei Kumiai agreements and the leased assets and liabilities do not substantially belong to the subsidiaries. Aries Line Shipping S.A. and 50 other subsidiaries are also not consolidated or accounted for under the equity method, as they are immaterial. IBJ ROYAL LINE S.A. and 1 associated company are not accounted for under the equity method, as they are immaterial.

Upon consolidation, significant intercompany accounts and transactions have been eliminated. In addition, all significant unrealized profit included in assets resulting from transactions within the Group has also been eliminated.

The accounting standard for consolidated financial statements requires a company to consolidate all subsidiaries where the company controls the operations, irrespective of whether or not the company owns a majority of their shares. Control is considered to exist where the company has (a) the power to appoint or remove the majority of the Board of Directors or an equivalent governing body, and/or (b) the power to cast the majority of the votes at a meeting of the Board of Directors or an equivalent governing body.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition. The differences between the costs and underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are recorded as Goodwill and are amortized on a straight-line basis over the estimated benefit period.

Implementation Guidance No. 15 "Implementation Guidance on Disclosures about Certain Special Purpose Entities" issued by the Accounting Standards Board of Japan (the "ASBJ") permits companies to avoid consolidation of certain Special Purpose Entities ("SPEs") that were established and are being operated for the purpose of securitization of receivables.

The Company securitizes its lease receivables to diversify its funding sources and ensure stable funding. In the securitization structures, the Company uses SPEs that include *Tokurei Yugen Kaisha* and *Goudou Kaisha*. The Company transfers the lease receivables to the SPEs in the securitization structures. The SPEs procure funds, such as borrowings, backed by the transferred assets and these funds flow back to the Company as sales proceeds of the transferred assets. The Company also provides collection services to the SPEs. A portion of the receivables is not transferred and is held by the Company. These receivables held by the Company are properly evaluated at the end of the fiscal year, and these are appropriately reflected in the consolidated financial statements.

As a result of securitizations, the Company had 15 and 14 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2023 and 2022. Total assets (simply compiled amount) of such SPEs as of March 31, 2023 and 2022 were ¥286,028 million ($2,141,897 thousand) and ¥238,693 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2023 and 2022 were ¥286,001 million ($2,141,690 thousand) and ¥238,764 million, respectively. The Company owns no voting rights in most of the SPEs while some employees of the Company serve as directors.

The total amount of Lease Receivables and Investments in Lease transferred from the Company to such SPEs in 2023 and 2022 was ¥25,094 million ($187,915 thousand) and ¥23,335 million, respectively. The amount of Factoring Receivable transferred from the Company to such SPEs in 2022 was ¥2,970 million while no amount was transferred in 2023. No gain/loss on the transfer of such receivables incurred in both 2023 and 2022. The Company holds subordinated interests of such transferred receivables of ¥474 million ($3,554 thousand) and ¥1,395 million in 2023 and 2022, respectively. The Company recognized profit dividends of ¥633 million ($4,746thousand) and ¥574 million, respectively, for the years ended March 31, 2023 and 2022, and servicing fees received of ¥1 million ($9 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2023 and 2022. These amounts do not include transactions with SPEs that do not meet the criteria for off-balance-sheet transactions, because the Company treats these asset transfer transactions to the SPEs as financial transactions.

(b) Business Combinations

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

### (c) Cash Equivalents
Cash Equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash Equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

### (d) Lease Accounting
In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. As a lessor, all finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as Lease Receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as Investments in Lease. All other leases are accounted for as operating leases.

As a lessee, all finance leases that are deemed to transfer ownership of the leased property to the lessee are capitalized.

### (e) Installment Sales
For installment sales contracts, Installment Sales Receivables are recognized for the principal equivalent portion of the total contract amounts when properties are delivered. Interest equivalent amounts are recognized as Installment Sales when the related installment receivables become due.

For sales-type contracts, Installment Sales and the corresponding Installment Cost of Sales are fully recognized when the property is sold. Interest equivalent amounts applicable to the portion to be collected are deferred and recorded as Deferred Profit on Installment Sales.

### (f) Operational Investment Securities and Investment Securities
Operational Investment Securities and Investment Securities are classified as Available-for-sale Securities based upon management's intent. Available-for-sale Securities, which have fair value, are stated at fair value with changes in net unrealized gain or loss, net of applicable income taxes, included directly in Equity (cost of securities sold is calculated by the moving average method). Available-for-sale Securities, which do not have fair value, are stated at cost.

Operational Investment Securities is held for the purpose of generating operational financial income. The income from Operational Investment Securities is stated in Revenues in the Consolidated Statement of Income.

### (g) Loans Receivables and Factoring Receivables
Loans to customers and receivables arising from factoring are included in Loans Receivables and Factoring Receivables, respectively. Income from these receivables is recognized as Revenues.

### (h) Property and Equipment
1. Leased Assets
   Leased Property and Equipment are stated at cost and depreciated over the lease term by the straight-line method to the residual value, which is an amount to be realized at the time when the lease contract is terminated.
2. Own-used Assets
   Own-used Assets of the Company and its domestic consolidated subsidiaries are stated at cost and depreciated over the following estimated useful lives mainly by the declining-balance method:

| | |
|---|---|
| Buildings | 3-65 years |
| Fixtures and furniture | 2-20 years |

### (i) Long-lived Assets
The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

### (j) Intangible Assets
1. Leased Assets
   Intangible Leased Assets are accounted for in the same way as Leased Property and Equipment.
2. Own-used Software
   Own-used Software is amortized over the internally estimated useful lives (5 years) by the straight-line method.
3. Other Intangible Assets
   Other Intangible Assets are stated at cost. Amortization of intangible assets by the Company and its domestic consolidated subsidiaries is mainly computed by the straight-line method over the estimated useful lives.

### (k) Bond Issue Costs
Costs for bond issuance are expensed upon payment.

### (l) Allowance for Doubtful Receivables
Allowance for Doubtful Receivables is provided based on the estimated historical default rate for general trade receivables, and is based on individual reviews for receivables from doubtful and legally bankrupt creditors.

The amounts of Long-term Receivables considered uncollectible, which include receivables from legally bankrupt creditors, were directly written off. The amounts directly written off were ¥4,609 million ($34,518 thousand) and ¥6,194 million at March 31, 2023 and 2022, respectively.

### (m) Reserve for Bonus Payments
The Company and certain domestic consolidated subsidiaries provide a reserve for future bonus payments to employees. This reserve is maintained at the estimated amount payable after the year-end based on the services provided during the fiscal year.

### (n) Reserve for Bonus Payments to Directors
The Company and certain domestic consolidated subsidiaries provide a reserve for future bonus payments to executive officers. This reserve is maintained at the estimated amount payable for the fiscal year.

### (o) Retirement and Pension Plans
The Company and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit type of a retirement benefits plan as well as a corporate pension plan as a defined contribution type of a retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

The Company and certain consolidated subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 to 17 years and 5 years, respectively, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

### (p) Reserve for Management Board Benefit Trust
Reserve for Management Board Benefit Trust is provided for the payment of the Company's shares, etc. to executive officers based on the estimated amount of stock benefit obligations at the end of the fiscal year.

### (q) Asset Retirement Obligations
An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(r) Accruals for Debt Guarantees
The Company and certain domestic consolidated subsidiaries provide Accruals for Debt Guarantees for losses that might occur in relation to guarantees of the indebtedness of others, taking the debtors' financial condition into consideration.

(s) Income Taxes
The Company and its domestic consolidated subsidiaries are subject to corporate tax, inhabitants' taxes and enterprise taxes. Deferred income taxes are recorded by the asset and liability method based on the differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements, using enacted tax rates that will be in effect when the differences are expected to reverse.

(t) Recognition of Revenues and Cost of Sales
Revenues and cost of sales relating to finance lease transactions are recognized when lease payments are to be received.

Revenues and cost of sales relating to operating lease transactions are based on the monthly amounts of lease payments to be received under lease agreements over the lease agreement periods. The monthly lease payments corresponding to each period are allocated to revenue for that period. When leased property is sold, the sales amount and carrying amount of such leased property are recognized as revenues and cost of sales, respectively.

(u) Translation of Foreign Currency Assets and Liabilities
1. Translation of foreign currency transactions
All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the Consolidated Statement of Income as income or expenses.
Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates effective at the respective transaction dates.
2. Translation of foreign currency financial statements
The assets, liabilities, revenues and expenses of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet dates of each subsidiary. Differences arising from such translation are shown in either Non-controlling Interests or Foreign Currency Translation Adjustments under Accumulated Other Comprehensive Income in a separate component of Equity.

(v) Derivatives and Hedging Activities
The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Interest rate swaps are utilized to manage interest rate risks associated with certain assets and liabilities, including Loans Receivables and Long-term Debt. Short-term Borrowings and Long-term Debt and Foreign currency forward contracts are utilized to reduce risks from fluctuations of foreign currency exchange rates associated with certain assets including Other Receivable, Operational Investment Securities and Investment Securities as well as committed transactions denominated in foreign currencies. Interest rate and currency swaps are utilized to manage interest rate risks as well as foreign currency risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the Consolidated Statement of Income and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

Hedging relationship to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" is applied – On March17, 2022, the ASBJ issued the PITF No.40 for Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR.
The Group applied specific accounting to all hedging relationships which are included in the scope of application of this practical solution. The hedging relationship to which this practical solution is applied are following;
a) Hedge accounting applied – Deferral method is applied. For interest rate swaps which meet specific matching criteria, specific accounting is applied.
b) Hedging instruments – Interest rate swaps, interest rate and currency swaps, Short-term Borrowings and Long-term Debt
c) Hedged items-Short-term Borrowings, Long-term Debt, Loans Receivables, Factoring Receivable and Investment Securities
d) Categories of hedges – Hedge of the exposure to variability in quoted price and hedge of the exposure to variability in cash flows

(w) Per Share Information
Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Cash dividends per share shown in the Consolidated Statement of Income are the amounts applicable to the respective fiscal years including dividends to be paid after the end of the year.

(x) Accounting Policy Disclosures, Accounting Changes and Error Corrections
Under ASBJ Statement No. 24, "Accounting Standard for the revised ASBJ Statement No.24 (revised 2020) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Disclosure of Accounting Policies – Significant accounting policies are disclosed in the case where the related accounting standards are not clarified. (2) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions in which case the entity shall comply with the specific transitional provisions. (3) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (4) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (5) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

(y) New Accounting Pronouncement
*Accounting Standard for Current Income Taxes and others* — On October 28, 2022, the ASBJ issued ASBJ Statement No. 27, "Accounting Standard for Current Income Taxes," ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income," and ASBJ Guidance No. 28, "Guidance on Accounting Standard for Tax Effect Accounting."
In February 2018, ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which completed the transfer of the Practical Guidance for Tax Effect Accounting by the Japanese Institute of Certified Public Accountants (the "JICPA") to ASBJ. In the course of the deliberations, the following two issues, which were to be discussed again after the release of ASBJ Statement No. 28, etc., were discussed and released.
(1) Classification of tax expense when other comprehensive income is taxed
(2) Treatment of tax effects related to the sale of shares in subsidiaries (shares in subsidiaries or affiliates) when the group tax sharing system is applied.

The Group expects to apply the accounting standards and guidance for the fiscal year beginning on or after April 1, 2024, and is in the process of measuring the effects of applying the accounting standards and guidance in future applicable periods.

(z) Management Board Benefit Trust system (the "BBT")
The Company has introduced a performance-linked stock compensation system (the "Stock Compensation System") for directors (excluding a chairperson and outside directors) and executive officers who are not concurrently serving as director (directors and executive officers are collectively referred to as "Directors, etc."). The Stock Compensation System contributes to the improvement of medium- and long-term performance and increase in corporate value, and as a result, aims to share with shareholders the sense of increasing stock value, by clarifying the link between compensation for Directors, etc., and the Company's performance and stock value.
1. Outline of Stock Compensation System
The Stock Compensation System is a performance-linked stock-based system where the Company's shares are acquired through a trust by fund contributed by the Company, and the Company's shares and/or the money equivalent to the market value of the Company's shares (the "the Company Stock, etc.") are paid to Directors, etc., through trusts in accordance with the Company's executive share benefit rules. Directors, etc., receive the Company Stock, etc., at a certain time after the end of each medium-term management plan period or after their retirement.
2. Shares of the Company held in trust
Shares of the Company held in trust are recorded as Treasury Stock in Equity at book value in the trust (excluding accompanying expenses). The carrying amount of such Treasury Stock for the year ended March 31, 2023 was ¥1,616 million ($12,103 thousand), while the number of such treasury stock was 592,400 shares.

## 3. Significant Accounting Estimate

Recognition of Allowance for Doubtful Receivables

(a) Carrying amount

Allowance for Doubtful Receivables in Current Assets and Investments and Other Assets ¥6,177 million ($46,263 thousand)

(b) Information on the significant accounting estimate

(i) Major assumptions used in the estimate calculation

According to the internally established standards for write-off and allowances, the Group recognizes necessary amounts of allowances for doubtful receivables for each category of receivables. In determining the category of receivables, the assumption for the debtor's future condition and the impact of COVID-19 infection are used. Regarding the impact of COVID-19 infection, it is expected to gradually ease by the expansion of quarantine systems and improvement of medical system by the government, while there are still concerns about the re-spread of infection due to the changes in government policy, such as the classification as category 5 under the Infectious Diseases Control Law.

(ii) Calculation of the estimate

The Group's policy for Allowances for Doubtful Receivables is described in Note 2. Summary of Significant Accounting Policies (l) Allowances for Doubtful Receivables. The Allowance for Doubtful Receivables for general trade receivables is provided based on the estimated credit loss for the one year following the end of the fiscal year. The estimated credit loss is calculated based on the average annual historical default rate during the past three calculation periods. The Allowance for Doubtful Receivables for receivables from doubtful and legally bankrupt debtors is provided based on individual reviews of the possibility of recovery.

(iii) Impact on the consolidated financial statements for the following fiscal year

The assumption used in determining the category of receivables in the above (i) Major assumptions used in the estimate calculation is uncertain. Due to the uncertainty of the assumption and the possible change of business environment in the specific industries caused by the spread of COVID-19 infection, the provision for Allowances for Doubtful Receivables may increase or decrease.

## 4. Changes in Accounting Policies

Application of the Accounting Standard for Fair Value Measurement

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the current fiscal year. It decided to prospectively apply the new accounting policies in accordance with the transitional measures permitted by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

Accordingly, some investment trusts are stated at fair value on the consolidated financial statement for the fiscal year, while under the previous guidance, those were stated at cost as they do not have quoted market prices in an active market.

In accordance with Paragraph 27-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, Note 18. Financial Instruments and Related Disclosures "Financial Instruments" (7) Financial Instruments Categorized by Fair Value Hierarchy do not include the description regarding investment trusts for the previous fiscal year.

## 5. Operational Investment Securities and Investment Securities

(1) Available-for-sale Securities whose fair values are readily determinable as of March 31, 2023 and 2022 were as follows:

**Available-for-sale Securities**

Securities with carrying amounts exceeding acquisition costs

(Millions of yen)

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Acquisition cost | Unrealized gain | Carrying amount | Acquisition cost | Unrealized gain |
| Equity Securities Bonds | ¥ 14,547 | ¥ 7,764 | ¥ 6,783 | ¥ 16,125 | ¥ 9,641 | ¥ 6,484 |
| Corporate Bonds | 52,600 | 50,250 | 2,350 | 68,859 | 67,674 | 1,184 |
| Other | 32,476 | 28,520 | 3,956 | 1,387 | 1,316 | 70 |
| Total | ¥ 99,624 | ¥ 86,534 | ¥ 13,090 | ¥ 86,372 | ¥ 78,632 | ¥ 7,739 |

(Thousands of U.S. dollars)

| | 2023 | | |
|---|---|---|---|
| | Carrying amount | Acquisition cost | Unrealized gain |
| Equity Securities Bonds | $ 108,934 | $ 58,140 | $ 50,794 |
| Corporate Bonds | 393,896 | 376,292 | 17,604 |
| Other | 243,196 | 213,570 | 29,626 |
| Total | $ 746,026 | $ 648,002 | $ 98,024 |

Securities with carrying amounts not exceeding acquisition costs

(Millions of yen)

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Acquisition cost | Unrealized loss | Carrying amount | Acquisition cost | Unrealized loss |
| Equity Securities Bonds | ¥ 680 | ¥ 852 | ¥ (172) | ¥ 748 | ¥ 974 | ¥ (226) |
| Corporate Bonds | 33,027 | 33,400 | (372) | 12,462 | 12,500 | (37) |
| Other | 3,121 | 3,121 | — | 1,465 | 1,465 | — |
| Total | ¥ 36,828 | ¥ 37,373 | ¥ (545) | ¥ 14,675 | ¥ 14,940 | ¥ (264) |

(Thousands of U.S. dollars)

| | 2023 | | |
|---|---|---|---|
| | Carrying amount | Acquisition cost | Unrealized loss |
| Equity Securities Bonds | $ 5,093 | $ 6,383 | $ (1,290) |
| Corporate Bonds | 247,320 | 250,112 | (2,792) |
| Other | 23,375 | 23,375 | — |
| Total | $ 275,788 | $ 279,870 | $ (4,082) |

(2) Proceeds from sales of Available-for-sale Securities for the years ended March 31, 2023 and 2022 were ¥1,810 million ($13,555 thousand) and ¥8,234 million, respectively. Gross realized gains and losses on these sales were ¥72 million ($543 thousand) and ¥347 million ($2,605 thousand) for the year ended March 31, 2023. Gross realized gains on these sales were ¥491 million and no gross losses were incurred for the year ended March 31, 2022.

(3) The Group recorded impairment losses on investment securities of ¥14 million ($112 thousand) and ¥11 million for the years ended March 31, 2023 and 2022, respectively.

## 6. Operating Assets

(1) Operating Assets as of March 31, 2023 and 2022 consisted of the following:

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Leasing and Installment Sales: | | | |
| Finance Lease | ¥ 1,122,211 | ¥ 1,172,643 | $ 8,403,562 |
| Operating Lease | 378,300 | 314,988 | 2,832,860 |
| Installment Sales (*1) | 95,296 | 106,601 | 713,621 |
| Leasing and Installment Sales total | 1,595,808 | 1,594,233 | 11,950,043 |
| Finance | 984,328 | 822,324 | 7,371,040 |
| Total Operating Assets | ¥ 2,580,137 | ¥ 2,416,558 | $ 19,321,083 |

(*1) The amount of Installment Sales represents "Installment Sales Receivables" less "Deferred Profit on Installment Sales".

(2) The total amounts of new contracts for the years ended March 31, 2023 and 2022 were as follows:

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Leasing and Installment Sales: | | | |
| Finance Lease | ¥ 267,801 | ¥ 343,392 | $ 2,005,404 |
| Operating Lease | 186,646 | 159,703 | 1,397,683 |
| Installment Sales | 34,680 | 33,205 | 259,701 |
| Leasing and Installment Sales total | 489,128 | 536,302 | 3,662,788 |
| Finance | 981,356 | 833,925 | 7,348,784 |
| Total | ¥ 1,470,485 | ¥ 1,370,228 | $ 11,011,572 |

## 7. Investment Property

Certain domestic consolidated subsidiaries own certain rental properties such as commercial facilities with land in Tokyo and other areas. Net rental income for these rental properties for the years ended March 31, 2023 and 2022 was ¥4,789 million ($35,864 thousand) and ¥4,403 million, respectively. Rental income and operating expenses are mainly recognized as "Revenues" and "Cost and Expenses", respectively.

Gain on sales of rental properties for the years ended March 31, 2023 and 2022 was ¥1,188 million ($8,898 thousand) and ¥1,505 million, respectively. Proceeds from sales of rental properties and costs are recognized as "Revenues" and "Cost and Expenses", respectively, otherwise net gain on sales is recognized as "Other Income (Expense)".

The carrying amounts, changes in such balances and market prices of such properties are as follows:

(Millions of yen)

| Carrying Amount | | | Fair Value |
|---|---|---|---|
| April 1, 2022 | Increase | March 31, 2023 | March 31, 2023 |
| ¥ 217,421 | ¥ 45,694 | ¥ 263,116 | ¥ 277,869 |

(Millions of yen)

| Carrying Amount | | | Fair Value |
|---|---|---|---|
| April 1, 2021 | Decrease | March 31, 2022 | March 31, 2022 |
| ¥ 218,901 | ¥ (1,480) | ¥ 217,421 | ¥ 277,772 |

(Thousands of U.S. dollars)

| Carrying Amount | | | Fair Value |
|---|---|---|---|
| April 1, 2022 | Increase | March 31, 2023 | March 31, 2023 |
| $ 1,628,138 | $ 342,180 | $ 1,970,318 | $ 2,080,794 |

(*1) Carrying amount recognized in the Consolidated Balance Sheets is net of accumulated depreciation.
(*2) "Increase" for the year ended March 31, 2023 primarily represents the acquisition of certain properties for ¥152,744 million ($1,143,812 thousand) and "Decrease" for the year ended March 31, 2022 primarily represents the sales of certain properties for ¥134,752 million.
(*3) Fair values of properties are mainly determined by appraisal reports issued by real estate appraisers.

## 8. Other Assets

On March 31, 2020, Mizuho-TOSHIBA Leasing Company, Limited (hereinafter "MTL"), the Company's consolidated subsidiary, filed suit against NS Solutions Corporation (hereinafter "NS Solutions") in the Tokyo District Court, claiming that MTL has a legitimate right to charge the sales price in the sales contract for system server and its peripheral devices concluded with NS Solutions (hereinafter "the Contract"), though NS Solutions intended to cancel the Contract in November 2019. The Receivable amounts equivalent to the sales price, amounting to ¥10,620 million ($79,530 thousand) as of March 31, 2023 and 2022, are included in "Other" of Investments and Other Assets in the accompanying consolidated balance sheet.

## 9. Pledged Assets

Assets pledged as collateral as of March 31, 2023 were as follows:

| | (Millions of yen) 2023 | (Thousands of U.S. dollars) 2023 |
|---|---|---|
| Lease Receivables and Investments in Lease | ¥ 13,012 | $ 97,439 |
| Operational Investment Securities | 23,122 | 173,148 |
| Leased Assets | 38,197 | 286,040 |
| Investment Securities | 16 | 125 |
| Total | ¥ 74,348 | $ 556,752 |

Liabilities secured by the above assets as of March 31, 2023 were as follows:

| | (Millions of yen) 2023 | (Thousands of U.S. dollars) 2023 |
|---|---|---|
| Short-term Borrowings | ¥ 9,500 | $ 71,140 |
| Current Portion of Long-term Debt | 4,787 | 35,852 |
| Long-term Debt | 34,872 | 261,141 |
| Total | ¥ 49,160 | $ 368,133 |

## 10. Short-term Borrowings and Long-term Debt

(1) "Short-term Borrowings" as of March 31, 2023 and 2022 was as follows:

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 | Weighted average interest rate 2023 |
|---|---|---|---|---|
| Short-term Borrowings | | | | |
| Short-term Borrowings from banks and other financial institutions | ¥ 418,440 | ¥ 380,278 | $ 3,133,443 | 0.86% |
| Commercial Paper | 692,900 | 707,100 | 5,188,708 | 0.03% |
| Payables under securitized lease receivables | 94,676 | 92,858 | 708,978 | 0.10% |
| Total | ¥ 1,206,016 | ¥ 1,180,237 | $ 9,031,129 | |
| Current Portion of Long-term Debt | | | | |
| Bonds payable | ¥ 23,000 | ¥ 30,000 | $ 172,233 | 0.040%~0.534% |
| Long-term Debt from banks and other financial institutions | 249,009 | 240,456 | 1,864,683 | 0.85% |
| Total | ¥ 272,009 | ¥ 270,456 | $ 2,036,916 | |

(2) "Long-term Debt" as of March 31, 2023 and 2022 was as follows:

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 | Weighted average interest rate 2023 |
|---|---|---|---|---|
| Long-term Debt | | | | |
| Bonds payable, Japanese Yen | ¥ 274,200 | ¥ 215,000 | $ 2,053,317 | 0.030%~0.764% |
| Bonds payable, U.S. Dollar | 6,543 | 5,998 | 49,000 | 2.745% |
| Long-term Debt from banks and other financial institutions | 747,654 | 681,948 | 5,598,727 | 0.85% |
| Payables under securitized lease receivables | 31,131 | 21,603 | 233,123 | 0.35% |
| Total | ¥ 1,059,528 | ¥ 924,550 | $ 7,934,167 | |

(*1) The Group has entered into overdraft contracts with 50 financial institutions that provide the Group with credit facilities amounting to ¥931,961 million ($6,978,892 thousand) and ¥870,615 million as of March 31, 2023 and 2022, respectively. The unused facilities maintained by the Group as of March 31, 2023 and 2022 amounted to ¥518,320 million ($3,881,390thousand) and ¥510,332 million, respectively.
(*2) "Payables under securitized lease receivables" is a type of financing based on the law for the regulation of specific claims. The lease receivables sold under this law as of March 31, 2023 and 2022 were ¥153,599 million ($1,150,213 thousand) and ¥137,569 million respectively.
(*3) The aggregate annual maturities of "Long-term Debt" as of March 31, 2023 were as follows:

| Years Ending March 31 | (Millions of yen) 2023 | (Thousands of U.S. dollars) 2023 |
|---|---|---|
| 2025 | ¥ 275,449 | $ 2,062,672 |
| 2026 | 231,571 | 1,734,101 |
| 2027 | 158,271 | 1,185,199 |
| 2028 | 153,163 | 1,146,947 |
| 2029 and thereafter | 241,072 | 1,805,248 |
| Total | ¥ 1,059,528 | $ 7,934,167 |

## 11. Retirement and Pension Plans

### Outline of plans

The Company and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit retirement benefits plan as well as a corporate retirement plan as a defined contribution retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

### Defined benefit plan

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Balance at beginning of year | ¥ 6,776 | ¥ 6,460 | $ 50,746 |
| Current service cost | 430 | 410 | 3,225 |
| Interest cost | 26 | 25 | 201 |
| Actuarial losses | 66 | 49 | 502 |
| Benefits paid | (205) | (169) | (1,537) |
| Balance at end of year | ¥ 7,095 | ¥ 6,776 | $ 53,137 |

(*1) Certain consolidated subsidiaries that have lump-sum severance payment plans use the simplified method in determining the projected benefit obligations.

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

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Balance at beginning of year | ¥ 5,283 | ¥ 4,832 | $ 39,566 |
| Expected return on plan assets | 31 | 40 | 237 |
| Actuarial losses | 2 | 196 | 16 |
| Contributions from the employer | 235 | 219 | 1,768 |
| Benefits paid | (107) | (4) | (804) |
| Balance at end of year | ¥ 5,446 | ¥ 5,283 | $ 40,783 |

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, were as follows:

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Defined benefit obligation | ¥ 4,686 | ¥ 4,426 | $ 35,096 |
| Plan assets | (5,446) | (5,283) | (40,783) |
| Total | (759) | (856) | (5,687) |
| Unfunded defined benefit obligation | 2,409 | 2,349 | 18,041 |
| Net liability arising from defined benefit obligation | ¥ 1,649 | ¥ 1,492 | $ 12,354 |

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Asset for employees' retirement benefits | ¥ (759) | ¥ (856) | $ (5,687) |
| Liability for employees' retirement benefits | 2,409 | 2,349 | 18,041 |
| Net liability arising from defined benefit obligation | ¥ 1,649 | ¥ 1,492 | $ 12,354 |

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

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Service cost (*1) | ¥ 430 | ¥ 410 | $ 3,225 |
| Interest cost | 26 | 25 | 201 |
| Expected return on plan assets | (31) | (40) | (238) |
| Recognized actuarial gains | (70) | (20) | (527) |
| Recognized past service costs | (17) | (17) | (128) |
| Net periodic benefit costs | ¥ 338 | ¥ 358 | $ 2,533 |

(*1) Service cost includes retirement benefits expenses of certain consolidated subsidiaries that use the simplified method.

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

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Past service costs | ¥ (17) | ¥ (17) | $ (128) |
| Actuarial (losses) gains | (136) | 124 | (1,020) |
| Total | ¥ (153) | ¥ 107 | $ (1,149) |

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

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Unrecognized past service costs | ¥ 34 | ¥ 51 | $ 257 |
| Unrecognized actuarial gains | 828 | 964 | 6,204 |
| Total | ¥ 862 | ¥ 1,016 | $ 6,461 |

(7) Plan assets as of March 31, 2023 and 2022, were as follows:

a. Components of plan assets

Plan assets consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Domestic debt investments | 19.0% | 19.3% |
| Domestic equity investments | 23.7 | 23.4 |
| Foreign debt investments | 7.0 | 7.1 |
| Foreign equity investments | 21.6 | 21.0 |
| Insurance assets (general account) | 25.6 | 25.2 |
| Others | 3.1 | 4.0 |
| Total | 100.0% | 100.0% |

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

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

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

| | 2023 | 2022 |
|---|---|---|
| Discount rate | 0.30 - 0.47% | 0.30 - 0.47% |
| Expected rate of return on plan assets | 0.60% | 0.84% |
| Expected rate of future salary increases | 3.24 - 6.84% | 3.45 - 6.84% |

### Defined contribution plan

The Group's contributions to the defined contribution retirement plan for the years ended March 31, 2023 and 2022, were ¥85 million ($638 thousand) and ¥81 million, respectively.

## 12. Income Taxes

The Company and certain consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate in Japan of approximately 30.6% for the years ended March 31, 2023 and 2022.

Deferred Tax Assets and Liabilities consisted of the following:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| Deferred Tax Assets: | | | |
| Allowance for Doubtful Receivables | ¥ 710 | ¥ 3,248 | $ 5,318 |
| Depreciation | 688 | 634 | 5,158 |
| Liability for Employees' Retirement Benefits | 115 | 66 | 863 |
| Write-off of Securities | 1,636 | 996 | 12,255 |
| Accrued Enterprise Tax | 280 | 335 | 2,098 |
| Other | 11,698 | 10,357 | 87,599 |
| Deferred Tax Assets Subtotal | 15,128 | 15,638 | 113,291 |
| Valuation Allowance | (1,240) | (1,311) | (9,289) |
| Total Deferred Tax Assets | 13,888 | 14,326 | 104,002 |
| Deferred Tax Liabilities: | | | |
| Net unrealized gain on Available-for-sale Securities | (5,292) | (3,165) | (39,629) |
| Investments in Lease | (503) | (314) | (3,772) |
| Other | (4,297) | (2,971) | (32,178) |
| Total Deferred Tax Liabilities | (10,092) | (6,451) | (75,579) |
| Net Deferred Tax Assets | ¥ 3,795 | ¥ 7,875 | $ 28,423 |

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022, are as follows:

| | 2023 | 2022 |
|---|---|---|
| Normal effective statutory tax rate | 30.6% | 30.6% |
| Inhabitants tax per capita levy | 0.2 | 0.2 |
| Permanent differences, such as entertainment expenses | 0.6 | 0.8 |
| Amortization of goodwill | — | 0.1 |
| Valuation allowance | (0.2) | 0.1 |
| Equity in Earnings of Associated Companies | (6.4) | (9.0) |
| Other-net | 1.7 | 0.4 |
| Actual effective tax rate | 26.5% | 23.2% |

## 13. Commitments and Contingent Liabilities

(1) Commitments

The Company had loan commitment agreements as of March 31, 2023 and 2022 of ¥31,103 million ($232,916 thousand) and ¥19,745 million, respectively. The loans provided under these credit facilities as of March 31, 2023 and 2022 amounted to ¥19,928 million ($149,235 thousand) and ¥7,039 million, respectively. Many of these facilities expire without being utilized and the related borrowings are subject to periodic reviews of the borrowers' credibility. Any unused amount will not necessarily be utilized in full.

(2) Contingent Liabilities

Contingent Liabilities as of March 31, 2023 were as follows:

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| | 2023 | 2023 |
| Guarantee Obligations with respect to operating activities (*1) | ¥ 13,101 | $ 98,108 |
| Other Guarantee Obligations | 22,684 | 169,870 |
| Total | ¥ 35,785 | $ 267,978 |

(*1) The amount includes deposits provided by SoftBank Corp. and others, which are guaranteed by the Company.

## 14. Equity

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividends upon resolution at the shareholders meeting. Additionally, for companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Audit & Supervisory Board members, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet (4) of the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

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

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserves and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserves may be reversed without limitation. The Companies Act also provides that common stock, legal reserves, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

## 15. Selling, General and Administrative Expenses

Major components of Selling, General and Administrative Expenses were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| Accruals for Doubtful Receivables | ¥ 653 | ¥ 7,729 | $ 4,897 |
| (Reversal) accrual for Debt Guarantees | (5) | 5 | (37) |
| Salaries and Wages | 10,244 | 9,771 | 76,712 |
| Provision for Bonus Payments | 1,304 | 1,265 | 9,765 |
| Provision for Bonus Payments to Directors | 231 | 92 | 1,734 |
| Retirement Benefits Costs for Employees | 423 | 439 | 3,172 |
| Provision for Reserve for Management Board Benefit Trust | 231 | 170 | 1,737 |

## 16. Segment Information

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

(1) Description and revision of reportable segments

The reportable segments of the Group are those for which separate financial information is available and regular evaluation by the Company management is being performed in order to decide periodically how resources are allocated among the Group.

The Group provides total financial services such as leasing business, installment sales and loan business to a wide range of customers from large companies to small and medium-sized companies. The Group has three business segments based on its services: “Leasing and Installment Sales”, “Finance” and “Other”.

“Leasing and Installment Sales” segment represents leasing business and installment sales business for information-related equipment, real estate, industrial machinery, transportation equipment and environment and energy related equipment. “Finance” segment represents loan business, investment business and factoring business for real estate, ship, aircraft and environment and energy sector. “Other” segment represents buying and selling of used properties business and others.

(2) Methods of measurement for the amounts of sales, profit, assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies”.

(3) Information about sales, profit, assets, liabilities and other items for the years ended March 31, 2023 and 2022 was as follows:

(Millions of yen)

| 2023 | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | Leasing and Installment Sales | Finance | Other | Total | Reconciliations (*1)(*2)(*3) | Consolidated (*4) |
| Sales: | | | | | | |
| Sales to external customers | ¥ 505,000 | ¥ 23,563 | ¥ 1,135 | ¥ 529,700 | ¥ — | ¥ 529,700 |
| Intersegment sales and transfers | 200 | 1,614 | 151 | 1,966 | (1,966) | — |
| Total | 505,201 | 25,178 | 1,287 | 531,666 | (1,966) | 529,700 |
| Operating Expenses | 483,791 | 8,934 | 899 | 493,624 | 4,319 | 497,944 |
| Segment Profit | ¥ 21,409 | ¥ 16,244 | ¥ 388 | ¥ 38,041 | ¥ (6,285) | ¥ 31,756 |
| Segment Assets | ¥ 1,692,984 | ¥ 1,200,065 | ¥ 5,594 | ¥ 2,898,643 | ¥ 55,990 | ¥ 2,954,634 |
| Others | | | | | | |
| Depreciation and Amortization | 14,580 | — | — | 14,580 | 2,618 | 17,199 |
| Capital Expenditure | 187,091 | — | — | 187,091 | 1,813 | 188,904 |

(Millions of yen)

| 2022 | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | Leasing and Installment Sales | Finance | Other | Total | Reconciliations (*1)(*2)(*3) | Consolidated (*4) |
| Sales: | | | | | | |
| Sales to external customers | ¥ 537,639 | ¥ 16,326 | ¥ 843 | ¥ 554,809 | ¥ — | ¥ 554,809 |
| Intersegment sales and transfers | 203 | 1,049 | 157 | 1,410 | (1,410) | — |
| Total | 537,843 | 17,375 | 1,000 | 556,219 | (1,410) | 554,809 |
| Operating Expenses | 514,116 | 17,109 | 731 | 531,957 | 4,958 | 536,915 |
| Segment Profit | ¥ 23,726 | ¥ 265 | ¥ 269 | ¥ 24,262 | ¥ (6,368) | ¥ 17,893 |
| Segment Assets | ¥ 1,685,892 | ¥ 1,009,865 | ¥ 2,671 | ¥ 2,698,429 | ¥ 50,381 | ¥ 2,748,810 |
| Others | | | | | | |
| Depreciation and Amortization | 14,574 | — | — | 14,574 | 2,627 | 17,202 |
| Capital Expenditure | 159,691 | — | — | 159,691 | 2,331 | 162,023 |

(Thousands of U.S. dollars)

| 2023 | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | Leasing and Installment Sales | Finance | Other | Total | Reconciliations (*1)(*2)(*3) | Consolidated (*4) |
| Sales: | | | | | | |
| Sales to external customers | $ 3,781,646 | $ 176,456 | $ 8,503 | $ 3,966,605 | $ — | $ 3,966,605 |
| Intersegment sales and transfers | 1,499 | 12,089 | 1,137 | 14,725 | (14,725) | — |
| Total | 3,783,145 | 188,545 | 9,640 | 3,981,330 | (14,725) | 3,966,605 |
| Operating Expenses | 3,622,821 | 66,903 | 6,733 | 3,696,457 | 32,344 | 3,728,801 |
| Segment Profit | $ 160,324 | $ 121,642 | $ 2,907 | $ 284,873 | $ (47,069) | $ 237,804 |
| Segment Assets | $ 12,677,733 | $ 8,986,561 | $ 41,891 | $ 21,706,185 | $ 419,278 | $ 22,125,463 |
| Others | | | | | | |
| Depreciation and Amortization | 109,188 | — | — | 109,188 | 19,607 | 128,795 |
| Capital Expenditure | 1,401,014 | — | — | 1,401,014 | 13,579 | 1,414,593 |

(*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2023 and 2022 were as follows:

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Elimination of intersegment transactions | ¥ 456 | ¥ 596 | $ 3,418 |
| Administrative expenses not allocated to the reportable segments | (6,742) | (6,965) | (50,487) |
| Total | ¥ (6,285) | ¥ (6,368) | $ (47,069) |

(*2) The details of Reconciliations to Segment Assets as of March 31, 2023 and 2022 were as follows:

| | (Millions of yen) 2023 | (Millions of yen) 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Elimination of intersegment transactions | ¥ (83,548) | ¥ (69,325) | $ (625,645) |
| Corporate assets not allocated to the reportable segments | 139,539 | 119,706 | 1,044,923 |
| Total | ¥ 55,990 | ¥ 50,381 | $ 419,278 |

(*3) Reconciliations of “Depreciation and Amortization” and “Capital Expenditure” are related to corporate assets not allocated to the reportable segments.

(*4) Segment Profits are reconciled to Operating Income in the Consolidated Statement of Income.

(4) Information about Geographical Areas
Property and Equipment

(Millions of yen)

| 2023 | | | | |
|---|---|---|---|---|
| Japan | Europe | North America / Latin America | Asia | Total |
| ¥ 300,464 | ¥ 16,203 | ¥ 55,456 | ¥ 721 | ¥ 372,845 |

(Millions of yen)

| 2022 | | | | |
|---|---|---|---|---|
| Japan | Europe | North America / Latin America | Asia | Total |
| ¥ 264,865 | ¥ 8,557 | ¥ 34,696 | ¥ 347 | ¥ 308,467 |

(Thousands of U.S. dollars)

| 2023 | | | | |
|---|---|---|---|---|
| Japan | Europe | North America / Latin America | Asia | Total |
| $ 2,249,993 | $ 121,341 | $ 415,277 | $ 5,402 | $ 2,792,013 |

(*1) Assets are classified by country or region based on the location of the Company and consolidated subsidiaries.
(*2) Information by geographic segment of Sales is not presented as domestic sales exceeded 90% of all segments.

(5) Impairment loss of long-lived assets per reportable segment:
Not applicable

(6) Goodwill per reportable segment:
In "Leasing and Installment Sales" segment, Gain on bargain purchase amounting to ¥225 million ($1,689 thousand) was recorded for the current fiscal year as a result of the acquisition of Purple Sunbird Leasing Limited shares as a consolidated subsidiary.
There was no applicable amount for the previous fiscal year.

## 17. Lease Transactions

### Operating Leases as lessee

The minimum rental commitments under non-cancellable operating leases as of March 31, 2023 and 2022 were as follows:

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Due within one year | ¥ 5 | ¥ 6 | $ 44 |
| Due after one year | 5 | 7 | 41 |
| Total | ¥ 11 | ¥ 14 | $ 85 |

### Finance Leases as lessor

(1) The net investments in lease were as follows:

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Lease contract receivables | ¥859,091 | ¥934,251 | $ 6,433,218 |
| Estimated residual value | 169 | 179 | 1,267 |
| Interest income equivalents | (55,872) | (60,492) | (418,399) |
| Total | ¥803,388 | ¥873,939 | $ 6,016,086 |

(2) Maturities of Lease Receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

| | (Millions of yen) 2023 | (Thousands of U.S. dollars) 2023 |
|---|---|---|
| 2024 | ¥ 76,589 | $ 573,530 |
| 2025 | 65,470 | 490,268 |
| 2026 | 56,673 | 424,393 |
| 2027 | 27,387 | 205,087 |
| 2028 | 13,376 | 100,169 |
| 2029 and thereafter | 15,977 | 119,647 |
| Total | ¥ 255,474 | $ 1,913,094 |

(3) Maturities of Investments in Lease for finance leases that were deemed not to transfer ownership of the leased property to the lessee were as follows:

| | (Millions of yen) 2023 | (Thousands of U.S. dollars) 2023 |
|---|---|---|
| 2024 | ¥235,605 | $ 1,764,309 |
| 2025 | 178,852 | 1,339,317 |
| 2026 | 125,306 | 938,344 |
| 2027 | 90,397 | 676,929 |
| 2028 | 62,239 | 466,070 |
| 2029 and thereafter | 166,691 | 1,248,249 |
| Total | ¥859,091 | $ 6,433,218 |

### Operating Leases as lessor

Future lease receivables under non-cancellable operating leases were summarized as follows:

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Due within one year | ¥ 103,567 | ¥ 105,888 | $ 775,553 |
| Due after one year | 183,306 | 167,723 | 1,372,667 |
| Total | ¥ 286,873 | ¥ 273,612 | $ 2,148,220 |

### Sub-lease transactions

Among the receivables and obligations relating to the sub-lease transactions, the amounts before deducting interest equivalents and included in the Consolidated Balance Sheet as of March 31, 2023 and 2022 were summarized as follows:

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Lease Receivable | ¥ 7,667 | ¥ 3,079 | $ 57,416 |
| Investments in Lease | 10,313 | 7,044 | 77,234 |
| Lease Payable | 18,164 | 10,331 | 136,022 |

## 18. Financial Instruments and Related Disclosures

(1) Policy for financial instruments
The Group provides comprehensive financial services, including leasing, installment sales and loans. From the perspective of financial stability, the Group diversifies its funding sources. In addition to the indirect funding from financial institutions, the Group utilizes direct funding such as issuing bonds, commercial paper and securitization of lease receivables. Further, the Group has an integrated Asset-Liability Management (ALM) program. Derivatives are used to avoid fluctuation risks such as interest rates and to secure stable profits.

(2) Nature and extent of risks arising from financial instruments
Financial assets held by the Group mainly consist of lease receivables and investments in lease, installment sales receivables, loans receivables, and factoring receivables mainly due from domestic business companies. These assets are exposed to the credit risks triggered by a contractual default of a counterparty to the transactions. In the case of deterioration in the credit conditions of counterparties caused by a change in economic conditions or the environment, it is possible that the repayment of obligations under the contract may not be performed. Investment securities, which are mainly comprised of stocks, bonds, preferred equities and investments in partnerships, are exposed to market price fluctuation risks if they are exchange-traded in addition to the credit risk of issuers. Transactions related to real estate finance are exposed to the risk of price fluctuations in the targeted real estate.

Borrowings, bonds and commercial paper are exposed to the interest rate fluctuation risk for floating interest rate funding, and the liquidity risk that ready access to funds may not be available due to a change in the financial market environment. An ALM analysis is employed in order to make stable profit as well as to manage these funding risks.

Derivative transactions are mainly composed of interest rate swaps arranged as a part of ALM. The Group enters into interest rate swap transactions as a hedging instrument and applies hedge accounting to the interest rate fluctuation risk associated with interest bearing debt such as bank loans. It is the Group's basic policy to utilize hedge transactions within the limit of the debt amount to reduce interest rate risks and to improve cash flow from financial activities. The effectiveness of the hedge transactions is assessed by comparing the changes in the market price and cumulative cash flows between the hedging instrument and the hedged item from the beginning of the hedge to the time of assessment.

The Group also utilizes derivative transactions such as foreign currency forward contracts and interest and currency swaps etc. to control the level of the risk associated with the assets and liabilities denominated in foreign currencies.

(3) Risk management for financial instruments

(a) Integrated risk management

The Group places an extremely high priority on integrated monitoring and control of total financial risks, including credit risks and market risks which consist of interest rate risk and share price fluctuation risk. Thus, The Group incorporates an integrated risk management system into its management policy in order to improve the stability of the business. Specifically, the Group manages various quantified risks in an integrated fashion to control the total risk under a certain level of net equity (business capacity) of the company. In addition, a risk analysis is performed monthly, the results of which are reported to the Board of Directors.

(b) Credit risk management

The Group aims to minimize credit costs by optimizing its credit management structure at all stages of each transaction, from entrance to exit to manage the credit risks of business partners.

Firstly, at the initial stage of deal execution, the Group assigns a credit rating to each debtor under its client credit rating system, conducts a strict credit screening and makes judgments on contract arrangements based on the prospects of future value of leasing assets, and from the perspective of the avoidance of excessive concentrations of credit, the Group monitors its credit administration ceiling by using its credit rating monitoring systems. Any large contract or matter requiring complex risk judgment requires the deliberation and decision by the Credit Committee, which enhances the risk control process. When offering new services or new products, the Group thoroughly reviews the identification and evaluation of inherent risks through the Risk Control Committee.

Furthermore, as an ongoing management measures, the Group provides necessary write-offs or allowances in accordance with the self-assessment rules for assets conforming to “Temporary treatment of accounting and auditing on the application of accounting standard for financial instruments in the leasing industry”. Furthermore, regarding credit risk management for the portfolio as a whole, through the quantification of the volume of the risk based on the credit rating of business customers, the Group endeavors to minimize credit costs. Also, the Group periodically follows up on non-performing assets and performs debt collection of assets for which the Group has already provided reserves to facilitate final disposal of non-performing assets.

(c) Market risk management

The Group establishes basic policies (e.g., funding policy, setting commercial paper program, hedging policy and securities trading policy) at the Board of Directors that are designed based on market environments and financial strength meeting to control risks in line with financial operations. In addition, monthly ALM operating policies based on these basic policies, position limits, and loss limits, etc., are determined on a monthly basis at the PM·ALM Committee, and the Group strives to maintain stable earnings by controlling risk factors. Also, with regard to market transactions, in order to maintain a mutual check system, The Group separately established the risk control department that is independent from departments that are responsible for executions or for approval of delivery settlement.

(i) Interest rate risk management

In order to manage interest rate risk, the Group monitors the matching ratio (i.e., proportion of assets that is not exposed to interest rate risk without allocation of the matching fixed/floating interest bearing debt to entire assets) under ALM. Also, the Group quantifies the interest rate and maturity of financial assets and liabilities based on *BPV (Basis Point Value). The Group analyzes and monitors them using statistical techniques such as *VaR (Value at Risk).

In addition, compliance with the internal rules etc. is managed by the risk control department.

Sensitivity to interest rate (10BPV) interest rate risk volume (VaR) figures in the Group as of March 31, 2023 and 2022, are as shown below. The Internal Models Approach applied to measure VaR is based on the assumption that past price fluctuations follow a normal distribution and the model calculates variance and covariance, based on which the Group estimates maximum losses statistically (variance/covariance method).

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| Sensitivity to interest rate (10BPV) | ¥ (2,780) | ¥ (2,430) | $ (20,818) |
| Interest rate risk volume (VaR) | ¥ 6,710 | ¥ 1,980 | $ 50,247 |

The VaR measurement method is as follows:

Variance-covariance model for linear risk

Quantitative criteria:

(1) Confidence interval: 99%;

(2) Holding period of one month; and

(3) Historical observation period of one year

(ii) Price fluctuation risk management of securities such as stock

Relating to the price fluctuation risk of securities, the risk control department captures the volume of the risk using the VaR. In addition, it monitors the status of compliance with our internal rules.

The VaR measurements in the Group as of March 31, 2023 and 2022, are shown below. To measure the VaR, the Group created a model that shows the price fluctuation of each stock based on the stock price index fluctuation. The Group adopted the stock price fluctuation model that sets the stock price index fluctuation ratio represented by the risk factor of general market risk. Also, the inherent fluctuation portion of each stock that is unable to be shown by the stock price index is set as a risk factor of individual risk in our model.

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| | 2023 | 2022 | 2023 |
| Price variation risk of stock (VaR) | ¥ 610 | ¥ 0 | $ 4,568 |

(Note) The VaR value shown above reflects annual realized profit or loss (including impairment loss) and unrealized profit or loss, net of corporate income taxes.

The VaR measurement method is as follows:

Quantitative criteria:

(1) Confidence interval: 99%;

(2) Holding period of one year; and

(3) Historical observation period of one year.

The market price at the measurement date is used for securities with market price. The moving-average acquisition costs or the amortized costs are used for securities without market price. General market risk (risk of suffering losses due to stock market movement) and individual risk (price variance risk due to factors associated with the issuer of stock) are calculated and combined. Individual risk for securities without market price is calculated assuming a fluctuation ratio of 8%.

(iii) Derivative transactions

The derivative transactions carried out by the Group mainly consist of interest rate swaps, entered as a part of ALM, to hedge the interest rate risks. The operating policy of hedging is determined at the monthly PM·ALM Committee to control the interest rate risk. Also, from an operational control perspective, in order to ensure a proper review function, the Group has an organizational structure whereby the transaction execution department is clearly separated from the market risk control department, which is responsible for evaluation of the effectiveness of hedging transactions, and the operations department, which is responsible for delivery settlement. For the use of derivative transactions, the Group enters into such transactions only with major financial institutions in order to mitigate counterparty risk.

(d) Other price fluctuation risk management

The risk mainly consists of real estate price fluctuation risks for specified bonds, preferred shares, investments in partnerships, and non-recourse loans relating to a real estate finance vehicle. The risk is managed by estimating the fair value of real estate at exit and monitoring the quantified risk for loss of principal.

(e) Liquidity risk management

The Group manages liquidity risk by diversifying the method of funding and balancing its long-term and short-term funding needs, depending upon the market environment.

(4) Supplemental explanation for quantitative information concerning market risk

Because quantitative information concerning market risk is based on statistical assumptions, the quantitative information may differ depending upon the quantitative basis and measurement method assumed. Also, the quantitative information is a statistical result based on certain assumptions. It is not intended to show the expected maximum losses. Because future market conditions may differ considerably from past conditions, there are many limitations on the quantitative data that is estimated using observation values of past data.

(Glossary)

*BPV: BPV is one of the interest rate risk indices indicating the change in present value of subject assets or liabilities given a basis point (0.01%) change in interest rates. The Group adopts 10 basis points (0.1%) as the basis for change of value.

*VaR: VaR is a technique for estimating the probable maximum portfolio losses as a volume of risk when the market is affected adversely based on the statistical analysis of historical data under a given time and probability (99% one-sided confidence interval).

(5) Supplemental explanation for fair values of financial instruments

Fair values of financial instruments have been calculated based on variable factors, and may differ if calculated based on different assumptions.

Fair values of financial instruments

(Millions of yen)

| March 31, | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Unrealized gain (loss) | Carrying amount | Fair value | Unrealized gain (loss) |
| Securities (*2) (*3) | | | | | | |
| Available-for-sale Securities | ¥ 136,441 | ¥ 136,441 | ¥ — | ¥ 101,032 | ¥ 101,032 | ¥ — |
| Lease Receivables and Investments in Lease (*3) (*4) (*5) | 1,101,821 | 1,142,955 | 41,134 | 1,150,135 | 1,211,052 | 60,916 |
| Installment Sales Receivables (*3) (*6) | 94,520 | 94,225 | (294) | 105,878 | 105,535 | (342) |
| Loans Receivables (*3) | 511,507 | 548,106 | 36,598 | 395,120 | 422,652 | 27,531 |
| Factoring Receivables (*3) | 149,985 | 152,470 | 2,485 | 187,124 | 189,908 | 2,784 |
| Long-term Receivables (*7) | 20,682 | 20,682 | — | 24,219 | 24,219 | — |
| Assets total | ¥ 2,014,958 | ¥ 2,094,881 | ¥ 79,923 | ¥ 1,963,510 | ¥ 2,054,400 | ¥ 90,889 |
| Short-term Borrowings | ¥ 1,206,016 | ¥ 1,205,941 | ¥ (75) | ¥ 1,180,237 | ¥ 1,180,103 | ¥ (134) |
| Lease Payable | 18,219 | 18,191 | (28) | 10,374 | 10,371 | (2) |
| Accounts Payable-trade | 24,512 | 24,472 | (39) | 34,698 | 34,660 | (37) |
| Long-term Debt (*8) (*9) | 1,331,538 | 1,307,529 | (24,008) | 1,195,006 | 1,189,490 | (5,515) |
| Liabilities total | ¥ 2,580,287 | ¥ 2,556,134 | ¥ (24,152) | ¥ 2,420,316 | ¥ 2,414,625 | ¥ (5,690) |
| Hedge accounting is not applied (*10) | ¥ (29) | ¥ (29) | ¥ — | ¥ (412) | ¥ (412) | ¥ — |
| Hedge accounting is applied (*10) | (104) | (104) | — | (1,081) | (1,081) | — |
| Derivative transactions total | ¥ (134) | ¥ (134) | ¥ — | ¥ (1,493) | ¥ (1,493) | ¥ — |

(Thousands of U.S. dollars)

| March 31, | 2023 | | |
|---|---|---|---|
| | Carrying amount | Fair value | Unrealized gain (loss) |
| Securities (*2) (*3) | | | |
| Available-for-sale Securities | $ 1,021,726 | $ 1,021,726 | $ — |
| Lease Receivables and Investments in Lease (*3) (*4) (*5) | 8,250,871 | 8,558,902 | 308,031 |
| Installment Sales Receivables (*3) (*6) | 707,803 | 705,596 | (2,207) |
| Loans Receivables (*3) | 3,830,370 | 4,104,437 | 274,067 |
| Factoring Receivables (*3) | 1,123,150 | 1,141,760 | 18,610 |
| Long-term Receivables (*7) | 154,878 | 154,878 | — |
| Assets total | $ 15,088,798 | $ 15,687,299 | $ 598,501 |
| Short-term Borrowings | $ 9,031,129 | $ 9,030,565 | $ (564) |
| Lease Payable | 136,435 | 136,222 | (213) |
| Accounts Payable-trade | 183,557 | 183,259 | (298) |
| Long-term Debt (*8) (*9) | 9,971,083 | 9,791,295 | (179,788) |
| Liabilities total | $ 19,322,204 | $ 19,141,341 | $ (180,863) |
| Hedge accounting is not applied (*10) | $ (222) | $ (222) | $ — |
| Hedge accounting is applied (*10) | (786) | (786) | — |
| Derivative transactions total | $ (1,008) | $ (1,008) | $ — |

(*1) Cash and Cash Equivalents are not presented as the carrying amounts of the deposits approximate their fair values because they are settled in a short period.

(*2) Securities include Operational Investment Securities and Investment Securities.

The following financial instruments are excluded from the disclosure of market value information as they do not have quoted market prices in an active market. Carrying amount of these financial instruments are following;

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Unlisted Stocks* | ¥ 153,878 | ¥ 136,286 | $ 1,152,299 |
| Funds, Investments in Partnerships | — | 133,622 | — |
| Preferred Equities | 44,225 | 4,746 | 331,174 |
| Other | 1,712 | 27,058 | 12,820 |
| Total | ¥ 199,815 | ¥ 301,715 | $ 1,496,293 |

*The impairment loss on certain unlisted stocks for the year ended March 31, 2023 and 2022 was ¥14 million ($112 thousand) and ¥11 million, respectively. Fair values of investments in funds, partnerships, etc., whose net amount equivalent to the equity interest is recorded on the consolidated balance sheets, are not presented. The amount of investments in partnerships, etc. to which this treatment is applied was ¥180,943 million ($1,354,972 thousand) on the consolidated balance sheets.

(*3) Lease Receivables and Investments in Lease, Installment Sales Receivables, Loans Receivables, Factoring Receivables and Operational Investment Securities are stated net of Allowance for Doubtful Receivables.

(*4) Investments in Lease are stated net of estimated residual value of lease assets for finance leases that are deemed not to transfer ownership of the leased property to the lessee.

(*5) Unearned lease payments received are not included in Lease Receivables and Investments in Lease.

(*6) Installment Sales Receivables are stated net of Deferred Profit on Installment Sales.

(*7) Long-term Receivables are stated net of Allowance for Doubtful Receivables.

(*8) Current Portion of Long-term Debt is included.

(*9) Long-term Debt includes Payables under Securitized Lease Receivables.

(*10) Assets and liabilities incurred resulting from derivative transactions are netted. The net liability is presented in parenthesis.

(6) Maturity analysis for financial assets and securities with contractual maturities

(Millions of yen)

| March 31, 2023 | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|---|---|---|---|---|---|---|
| Cash and Cash Equivalents | ¥ 33,453 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Securities | | | | | | |
| Available-for-sale Securities | | | | | | |
| Bonds | | | | | | |
| Corporate Bonds | 16,700 | 3,500 | 22,100 | 9,500 | 30,850 | 1,000 |
| Other | 28,122 | 19,168 | 15,668 | 16,397 | 7,875 | 95,982 |
| Lease Receivables and Investments in Lease | 321,265 | 252,014 | 188,384 | 117,260 | 71,965 | 171,320 |
| Installment Sales Receivables | 34,620 | 23,465 | 22,141 | 10,955 | 4,051 | 3,287 |
| Loans Receivables | 68,801 | 54,643 | 106,071 | 119,667 | 139,794 | 22,661 |
| Factoring Receivables | 112,592 | 9,127 | 5,991 | 3,050 | 2,012 | 17,250 |
| Total | ¥ 615,556 | ¥ 361,918 | ¥ 360,358 | ¥ 276,831 | ¥ 256,550 | ¥ 311,502 |

(Millions of yen)

| March 31, 2022 | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|---|---|---|---|---|---|---|
| Cash and Cash Equivalents | ¥ 24,502 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Securities | | | | | | |
| Available-for-sale Securities | | | | | | |
| Bonds | | | | | | |
| Corporate Bonds | 23,160 | 17,514 | 3,500 | 22,100 | 9,500 | 4,400 |
| Other | 21,339 | 16,841 | 6,445 | 8,485 | 15,728 | 66,030 |
| Lease Receivables and Investments in Lease | 320,816 | 248,817 | 204,094 | 138,066 | 77,185 | 183,664 |
| Installment Sales Receivables | 39,796 | 27,856 | 20,955 | 13,523 | 3,910 | 3,334 |
| Loans Receivables | 58,983 | 77,615 | 54,163 | 86,027 | 103,183 | 15,326 |
| Factoring Receivables | 152,460 | 6,874 | 8,089 | 4,587 | 2,435 | 12,732 |
| Total | ¥ 641,058 | ¥ 395,521 | ¥ 297,248 | ¥ 272,790 | ¥ 211,943 | ¥ 285,487 |

(Thousands of U.S. dollars)

| March 31, 2023 | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|---|---|---|---|---|---|---|
| Cash and Cash Equivalents | $ 250,515 | $ — | $ — | $ — | $ — | $ — |
| Securities | | | | | | |
| Available-for-sale Securities | | | | | | |
| Bonds | | | | | | |
| Corporate Bonds | 125,056 | 26,209 | 165,493 | 71,140 | 231,017 | 7,488 |
| Other | 210,590 | 143,540 | 117,329 | 122,787 | 58,973 | 718,752 |
| Lease Receivables and Investments in Lease | 2,405,760 | 1,887,181 | 1,410,701 | 878,095 | 538,908 | 1,282,917 |
| Installment Sales Receivables | 259,255 | 175,720 | 165,807 | 82,041 | 30,340 | 24,618 |
| Loans Receivables | 515,212 | 409,191 | 794,303 | 896,118 | 1,046,840 | 169,697 |
| Factoring Receivables | 843,139 | 68,349 | 44,870 | 22,840 | 15,071 | 129,180 |
| Total | $ 4,609,527 | $ 2,710,190 | $ 2,698,503 | $ 2,073,021 | $ 1,921,149 | $ 2,332,652 |

(*1) Please see Note 10 for annual maturities of Long-term Debt.

(7) Financial Instruments Categorized by Fair Value Hierarchy

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

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

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

(a) The financial instruments measured at the fair values in the consolidated balance sheet

(Millions of yen)

| March 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | ¥ — | ¥ 48,990 | ¥ 36,637 | ¥ 85,627 |
| Equity securities | 11,077 | 768 | 3,381 | 15,227 |
| Other | — | 33,598 | 1,987 | 35,586 |
| Assets total | ¥ 11,077 | ¥ 83,356 | ¥ 42,007 | ¥ 136,441 |
| Derivative transactions: | | | | |
| currency swaps | ¥ — | ¥ 18 | ¥ — | ¥ 18 |
| Interest rate swaps | — | 927 | — | 927 |
| Interest rate and currency swaps | — | (1,080) | — | (1,080) |
| Derivative transactions total | ¥ — | ¥ (134) | ¥ — | ¥ (134) |

(Millions of yen)

| March 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | ¥ — | ¥ 67,105 | ¥ 14,216 | ¥ 81,321 |
| Equity securities | 10,636 | 559 | 5,678 | 16,873 |
| Other | — | 355 | 2,481 | 2,837 |
| Assets total | ¥ 10,636 | ¥ 68,019 | ¥ 22,375 | ¥ 101,032 |
| Derivative transactions: | | | | |
| currency swaps | ¥ — | ¥ — | ¥ — | ¥ — |
| Interest rate swaps | — | 52 | — | 52 |
| Interest rate and currency swaps | — | (1,546) | — | (1,546) |
| Derivative transactions total | ¥ — | ¥ (1,493) | ¥ — | ¥ (1,493) |

(Thousands of U.S. dollars)

| March 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | $ — | $ 366,859 | $ 274,357 | $ 641,216 |
| Equity securities | 82,950 | 5,751 | 25,326 | 114,027 |
| Other | — | 251,599 | 14,883 | 266,482 |
| Assets total | $ 82,950 | $ 624,209 | $ 314,566 | $ 1,021,725 |
| Derivative transactions: | | | | |
| currency swaps | $ — | $ 139 | $ — | $ 139 |
| Interest rate swaps | — | 6,944 | — | 6,944 |
| Interest rate and currency swaps | — | (8,091) | — | (8,091) |
| Derivative transactions total | $ — | $ (1,008) | $ — | $ (1,008) |

(b) The financial instruments other than those measured at the fair values in the consolidated balance sheet

(Millions of yen)

| March 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Lease Receivables and Investments in Lease | ¥ — | ¥ — | ¥ 1,142,955 | ¥ 1,142,955 |
| Installment Sales Receivables | — | — | 94,225 | 94,225 |
| Loans Receivables | — | — | 548,106 | 548,106 |
| Factoring Receivables | — | — | 152,470 | 152,470 |
| Long-term Receivables | — | — | 20,682 | 20,682 |
| Assets total | ¥ — | ¥ — | ¥ 1,958,440 | ¥ 1,958,440 |
| Short-term Borrowings | ¥ — | ¥ 1,205,941 | ¥ — | ¥ 1,205,941 |
| Lease Payable | — | 18,191 | — | 18,191 |
| Accounts Payable-trade | — | 24,472 | — | 24,472 |
| Long-term Debt | — | 1,307,529 | — | 1,307,529 |
| Liabilities total | ¥ — | ¥ 2,556,134 | ¥ — | ¥ 2,556,134 |

(Millions of yen)

| March 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Lease Receivables and Investments in Lease | ¥ — | ¥ — | ¥ 1,211,052 | ¥ 1,211,052 |
| Installment Sales Receivables | — | — | 105,535 | 105,535 |
| Loans Receivables | — | — | 422,652 | 422,652 |
| Factoring Receivables | — | — | 189,908 | 189,908 |
| Long-term Receivables | — | — | 24,219 | 24,219 |
| Assets total | ¥ — | ¥ — | ¥ 1,953,367 | ¥ 1,953,367 |
| Short-term Borrowings | ¥ — | ¥ 1,180,103 | ¥ — | ¥ 1,180,103 |
| Lease Payable | — | 10,371 | — | 10,371 |
| Accounts Payable-trade | — | 34,660 | — | 34,660 |
| Long-term Debt | — | 1,189,490 | — | 1,189,490 |
| Liabilities total | ¥ — | ¥ 2,414,625 | ¥ — | ¥ 2,414,625 |

(Thousands of U.S. dollars)

| March 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Lease Receivables and Investments in Lease | $ — | $ — | $ 8,558,902 | $ 8,558,902 |
| Installment Sales Receivables | — | — | 705,597 | 705,597 |
| Loans Receivables | — | — | 4,104,436 | 4,104,436 |
| Factoring Receivables | — | — | 1,141,760 | 1,141,760 |
| Long-term Receivables | — | — | 154,878 | 154,878 |
| Assets total | $ — | $ — | $14,665,573 | $14,665,573 |
| Short-term Borrowings | $ — | $ 9,030,564 | $ — | $ 9,030,564 |
| Lease Payable | — | 136,222 | — | 136,222 |
| Accounts Payable-trade | — | 183,260 | — | 183,260 |
| Long-term Debt | — | 9,791,296 | — | 9,791,296 |
| Liabilities total | $ — | $19,141,342 | $ — | $19,141,342 |

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

*Operational Investment Securities and Investment Securities*

The fair values of Operational Investment Securities and Investment Securities are classified as Level 1 if an unadjusted quoted price in active markets is available, among the published quoted price such as the quoted market price of the stock exchange or the quoted price obtained from the financial institutions. Listed equity securities are mainly included in it.

The fair values of securities are classified as Level 2 if a quoted price in inactive market is used. Corporate bonds are mainly included in it. The investment trusts that do not have quoted market prices in an active market are classified as Level 2 as there are no material restrictions on cancellation or repurchase requests that would require the payment for the risk by market participants. The fair values of these investment trusts are determined by the net asset values.

If a quoted price is not available, the fair values are determined by discounting the future cash flows, by credit risks categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 3 as the impact of unobservable inputs of a credit spread to measure the fair values is significant.

Fair value information for securities by classifications is included in Note 5. Operational Investment Securities and Investment Securities

*Lease Receivables and Investments in Lease*

The fair values of Lease Receivables and Investments in Lease are principally determined by discounting the future cash flows (lease payments received less maintenance fees), by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 3 as the impact of unobservable inputs of a credit spread to measure the fair values is significant.

*Installment Sales Receivables*

The fair values of Installment Sales Receivables are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 3 as the impact of unobservable inputs of a credit spread to measure the fair values is significant.

*Loans Receivables and Factoring Receivables*

The fair values of Loans Receivables and Factoring Receivables are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 3 as the impact of unobservable inputs of a credit spread to measure the fair values is significant.

*Long-term Receivables*
The carrying values of Long-term Receivables at the balance sheet date (net of Allowance for Doubtful Receivables) approximate fair values because the Allowance for Doubtful Receivables is determined based on the amount that is expected to be recovered from collateral and guarantees. They are classified as Level 3 as the impact of unobservable inputs of Allowance for Doubtful Receivables to measure the fair values is significant.

*Derivatives*
Derivative transactions are mainly composed of over-the-counter transactions and the fair values are based on the prices obtained from the financial institutions. They are classified as Level 2 as the fair values are determined using observable inputs.

*Short-term Borrowings*
*Short-term Borrowings from banks and other financial institutions*
The fair values of Short-term Borrowings from banks and other financial institutions are measured at the amount of principal plus interest to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

*Commercial Paper*
The fair values of Commercial Paper are measured at the amount of principal plus interest to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

*Payables under Securitized Lease Receivables*
The fair values of Payables under Securitized Lease Receivables are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus spread for securitization. They are classified as Level 2 as the impact of unobservable inputs of a spread for securitization to measure the fair values is immaterial.

*Lease Payable*
The fair values of Lease Payable are principally determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

*Accounts Payable - trade*
The carrying values of Accounts Payable - trade approximate fair value because they are settled within a short period. The fair values of long-term Accounts Payable are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

*Long-term Debt*
*Bonds Payable*
The fair values of Bonds Payable are principally determined by a published quoted price. They are classified as Level 2 as a quoted price in inactive market is used.

*Long-term Debt from banks and other financial institutions*
The fair values of Long-term Debt from banks and other financial institutions are measured at the amount of interest and principal to be paid at maturity discounted at an appropriate benchmark rate such as an interbank market rate plus a credit spread. They are classified as Level 2 as the impact of unobservable inputs of a credit spread to measure the fair values is immaterial.

*Payables under Securitized Lease Receivables*
The fair values of Payables under Securitized Lease Receivables are determined by discounting the future cash flows at an appropriate benchmark rate such as an interbank market rate plus spread for securitization. They are classified as Level 2 as the impact of unobservable inputs of a spread for securitization to measure the fair values is immaterial.

The following is an information about the Level 3 fair value of financial instruments measured at fair values on the consolidated balance sheet

(i) Quantitative information on significant unobservable inputs

| March 31, 2023 | Valuation technique | Significant unobservable inputs | Range of inputs |
|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | |
| Available-for-sale Securities | | | |
| Bonds | Discounted cash flow | Discount rate | 0.06-0.51% |
| Equity securities | Discounted cash flow | Discount rate | 0.08-0.44% |
| Other | Discounted cash flow | Discount rate | 0.72-1.02% |

| March 31, 2022 | Valuation technique | Significant unobservable inputs | Range of inputs |
|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | |
| Available-for-sale Securities | | | |
| Bonds | Discounted cash flow | Discount rate | 0.07-0.17% |
| Equity securities | Discounted cash flow | Discount rate | 0.07-0.19% |
| Other | Discounted cash flow | Discount rate | 1.00-1.11% |

(ii) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in the earnings of the current period as of March 31, 2023.

(Millions of yen)

| March 31, 2023 | Balance at beginning of year | Earnings of the period (*1) | Other comprehensive income (loss) (*2) | Net amount of purchase, sale, issuance and settlement |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | ¥ 14,216 | ¥ — | ¥ 1,646 | ¥ 20,775 |
| Equity securities | 5,678 | — | (215) | (2,080) |
| Other | 2,481 | — | 4 | (498) |

(Millions of yen)

| March 31, 2023 | Transfer to Level 3 (*3) | Transfer from Level 3 (*4) | Balance at end of year | Net unrealized gains (losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period. |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | ¥ — | ¥ — | ¥ 36,637 | ¥ — |
| Equity securities | — | — | 3,381 | — |
| Other | — | — | 1,987 | — |

(Millions of yen)

| March 31, 2022 | Balance at beginning of year | Earnings of the period (*1) | Other comprehensive income (loss) (*2) | Net amount of purchase, sale, issuance and settlement |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | ¥ 15,485 | ¥ — | ¥ (264) | ¥ (1,005) |
| Equity securities | 5,813 | — | (135) | — |
| Other | 2,682 | (0) | 32 | (232) |

(Millions of yen)

| March 31, 2022 | Transfer to Level 3 (*3) | Transfer from Level 3 (*4) | Balance at end of year | Net unrealized gains (losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period. |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | ¥ — | ¥ — | ¥ 14,216 | ¥ — |
| Equity securities | — | — | 5,678 | — |
| Other | — | — | 2,481 | — |

(Thousands of U.S. dollars)

| March 31, 2023 | Balance at beginning of year | Earnings of the period (*1) | Other comprehensive income (loss) (*2) | Net amount of purchase, sale, issuance and settlement |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | $ 106,455 | $ — | $ 12,328 | $ 155,574 |
| Equity securities | 42,519 | — | (1,617) | (15,576) |
| Other | 18,585 | — | 32 | (3,734) |

(Thousands of U.S. dollars)

| March 31, 2023 | Transfer to Level 3 (*3) | Transfer from Level 3 (*4) | Balance at end of year | Net unrealized gains (losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period. |
|---|---|---|---|---|
| Operational Investment Securities and Investment Securities: | | | | |
| Available-for-sale Securities | | | | |
| Bonds | $ — | $ — | $ 274,357 | $ — |
| Equity securities | — | — | 25,326 | — |
| Other | — | — | 14,883 | — |

(*1) The amounts shown in the table above are included in the Revenues of the Consolidated Statements of Income.
(*2) The amounts shown in the table above are included in the Unrealized Gain on Available-for-sale Securities in Other Comprehensive Income of the Consolidated Statement of Comprehensive Income.
(*3) There was no transfer from Level 2 to Level 3 for the year ended March 31, 2023 and 2022. The transfer is made at the end of the fiscal year in which it occurs.
(*4) There was no transfer from Level 3 to Level 2 for the year ended March 31, 2023 and 2022. The transfer is made at the end of the fiscal year in which it occurs.

(c) Description of the fair value valuation process

At the Group, the risk control department, the finance department and the accounting department establish policies and procedures for the calculation of fair value, and each department which holds financial instruments calculates fair value in accordance with such policies and procedures. In measuring fair value, the Group uses different valuation models that most appropriately reflect the nature, characteristics, and risks of each asset. If quoted prices obtained from third parties are used, those values are verified by confirming the valuation technique and the inputs used by the third parties or trend analysis and other appropriate methods.

(d) Description of the sensitivity of the fair value to changes in significant unobservable inputs

Discount rate is a significant unobservable input used for measurement of the fair value of stocks, bonds and others. Discount rate is an adjustment rate regarding interbank market rate, and it is constituted from risk premium that market participants need against uncertainty of cash flow produced mainly by credit risks. In general, a significant increase or decrease in discount rate would result in a significant increase or decrease in a fair value.

## 19. Derivatives

Fair values of derivative transactions were as follows. The fair value is measured at quoted prices obtained from the financial institutions. The contract amounts shown in the tables are the notional amounts of derivatives and do not indicate the Company's exposure to credit or market risks:

### Derivative transactions to which hedge accounting is not applied:

(1) Interest rate and currency swaps

(Millions of yen)

| At March 31, | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Contract Amount | Contract Amount due after One Year | Fair Value | Unrealized (Loss) Gain | Contract Amount | Contract Amount due after One Year | Fair Value | Unrealized (Loss) Gain |
| Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars | ¥ 2,243 | ¥ 2,243 | ¥ (430) | ¥ (430) | ¥ 4,248 | ¥ 2,243 | ¥ (412) | ¥ (412) |
| Payment - fixed rate in Japanese Yen, receipt - floating rate in U.S. dollars | ¥14,410 | ¥14,410 | ¥ 401 | ¥ 401 | ¥ — | ¥ — | ¥ — | ¥ — |

(Thousands of U.S. dollars)

| At March 31, | 2023 | | | |
|---|---|---|---|---|
| | Contract Amount | Contract Amount due after One Year | Fair Value | Unrealized (Loss) Gain |
| Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars | $ 16,801 | $ 16,801 | $ (3,226) | $ (3,226) |
| Payment - fixed rate in Japanese Yen, receipt - floating rate in U.S. dollars | $ 107,915 | $ 107,915 | $ 3,004 | $ 3,004 |

Derivative transactions to which hedge accounting is applied:

(1) Foreign currency forward contracts

(Millions of yen)

| At March 31, | Hedged item | 2023 Contract Amount | 2023 Contract Amount due after One Year | 2023 Fair Value | 2022 Contract Amount | 2022 Contract Amount due after One Year | 2022 Fair Value |
|---|---|---|---|---|---|---|---|
| Foreign currency forward contracts Buying, U.S. dollars and Indonesian Rupiah | Committed transactions in foreign currencies | ¥ 5,453 | ¥ — | ¥ 33 | ¥ — | ¥ — | ¥ — |
| Foreign currency forward contracts Buying, Indian Rupee | Committed transactions in foreign currencies | ¥ 3,483 | ¥ — | ¥ (14) | ¥ — | ¥ — | ¥ — |

(Thousands of U.S. dollars)

| At March 31, | Hedged item | 2023 Contract Amount | 2023 Contract Amount due after One Year | 2023 Fair Value |
|---|---|---|---|---|
| Foreign currency forward contracts Buying, U.S. dollars and Indonesian Rupiah | Committed transactions in foreign currencies | $ 40,835 | $ — | $ 249 |
| Foreign currency forward contracts Buying, Indian Rupee | Committed transactions in foreign currencies | $ 26,087 | $ — | $ (110) |

(2) Interest rate swaps

(Millions of yen)

| At March 31, | Hedged item | 2023 Contract Amount | 2023 Contract Amount due after One Year | 2023 Fair Value | 2022 Contract Amount | 2022 Contract Amount due after One Year | 2022 Fair Value |
|---|---|---|---|---|---|---|---|
| Payment - fixed rate, receipt - floating rate | Short-term Borrowings, Long-term Debt | ¥131,200 | ¥110,168 | ¥ 1,350 | ¥126,455 | ¥111,802 | ¥ 291 |
| Payment - floating rate, receipt - fixed rate | Long-term Debt | ¥ 24,841 | ¥ 19,841 | ¥ (179) | ¥ 19,500 | ¥ 19,500 | ¥ (83) |
| | Bonds Payable | ¥ 22,000 | ¥ 14,000 | ¥ (243) | ¥ 22,000 | ¥ 22,000 | ¥ (155) |

(Thousands of U.S. dollars)

| At March 31, | Hedged item | 2023 Contract Amount | 2023 Contract Amount due after One Year | 2023 Fair Value |
|---|---|---|---|---|
| Payment - fixed rate, receipt - floating rate | Short-term Borrowings, Long-term Debt | $ 982,480 | $ 824,984 | $ 10,113 |
| Payment - floating rate, receipt - fixed rate | Long-term Debt | $ 186,024 | $ 148,582 | $ (1,345) |
| | Bonds Payable | $ 164,745 | $ 104,838 | $ (1,824) |

(3) Interest rate and currency swaps

(Millions of yen)

| At March 31, | Hedged item | 2023 Contract Amount | 2023 Contract Amount due after One Year | 2023 Fair Value | 2022 Contract Amount | 2022 Contract Amount due after One Year | 2022 Fair Value |
|---|---|---|---|---|---|---|---|
| Payment - fixed rate in Japanese Yen, receipt - fixed rate in U.S. dollars | Operational Investment Securities | ¥10,451 | ¥ 8,429 | ¥ (1,613) | ¥10,451 | ¥10,451 | ¥ (1,135) |
| Payment - fixed rate in Japanese Yen, receipt - floating rate in U.S. dollars | Operational Investment Securities | ¥12,808 | ¥12,808 | ¥ 413 | ¥ — | ¥ — | ¥ — |
| Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars | Long-term Debt | ¥ 1,625 | ¥ 955 | ¥ 149 | ¥ 291 | ¥ 204 | ¥ 1 |

(Thousands of U.S. dollars)

| At March 31, | Hedged item | 2023 Contract Amount | 2023 Contract Amount due after One Year | 2023 Fair Value |
|---|---|---|---|---|
| Payment - fixed rate in Japanese Yen, receipt - fixed rate in U.S. dollars | Operational Investment Securities | $ 78,265 | $ 63,120 | $ (12,084) |
| Payment - fixed rate in Japanese Yen, receipt - floating rate in U.S. dollars | Operational Investment Securities | $ 95,913 | $ 95,913 | $ 3,098 |
| Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars | Long-term Debt | $ 12,174 | $ 7,156 | $ 1,116 |

### Interest rate swaps and interest rate and currency swaps to which specific accounting is applied:

The following interest rate swaps and interest rate and currency swaps, which qualify for hedge accounting and meet specific matching criteria, are not re-measured at market value. However, the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 18 is included in those of the hedged items (i.e. Loans Receivables, Factoring Receivables and Long-term Debt).

(1) Interest rate swaps

(Millions of yen)

| At March 31, | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Hedged item | Contract Amount | Contract Amount due after One Year | Hedged item | Contract Amount | Contract Amount due after One Year |
| Payment - fixed rate, receipt - floating rate | Loans Receivables | ¥ 686 | ¥ 686 | Loans Receivables | ¥ 2,278 | ¥ 2,278 |
| | Long-term Debt | ¥234,067 | ¥216,813 | Long-term Debt | ¥185,580 | ¥179,816 |

(Thousands of U.S. dollars)

| At March 31, | 2023 | | |
|---|---|---|---|
| | Hedged item | Contract Amount | Contract Amount due after One Year |
| Payment - fixed rate, receipt - floating rate | Loans Receivables | $ 5,143 | $ 5,143 |
| | Long-term Debt | $1,752,788 | $1,623,587 |

(2) Interest rate and currency swaps

(Millions of yen)

| At March 31, | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Hedged item | Contract Amount | Contract Amount due after One Year | Hedged item | Contract Amount | Contract Amount due after One Year |
| Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars | Factoring Receivables | ¥ — | ¥ — | Factoring Receivables | ¥ 47 | ¥ — |

(Thousands of U.S. dollars)

| At March 31, | 2023 | | |
|---|---|---|---|
| | Hedged item | Contract Amount | Contract Amount due after One Year |
| Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars | Factoring Receivables | $ — | $ — |

## 20. Other Comprehensive Income

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

| | (Millions of yen) 2023 | 2022 | (Thousands of U.S. dollars) 2023 |
|---|---|---|---|
| Unrealized Gain on Available-for-sale Securities | | | |
| Gains arising during the year | ¥ 7,720 | ¥ 2,076 | $ 57,816 |
| Reclassification adjustments to profit or loss | (775) | (807) | (5,805) |
| Amount before income tax effect | 6,945 | 1,268 | 52,011 |
| Income tax effect | 2,126 | 388 | 15,927 |
| Total | ¥ 4,818 | ¥ 880 | $ 36,084 |
| Deferred Loss on Derivatives under Hedge Accounting | | | |
| Losses arising during the year | ¥ (1,675) | ¥ (2,027) | $ (12,550) |
| Reclassification adjustments to profit or loss | 1,019 | 958 | 7,638 |
| Amount before income tax effect | (655) | (1,068) | (4,912) |
| Income tax effect | (203) | (328) | (1,522) |
| Total | ¥ (452) | ¥ (740) | $ (3,390) |
| Foreign Currency Translation Adjustments | | | |
| Adjustments arising during the year | ¥15,347 | ¥10,005 | $114,929 |
| Reclassification adjustments to profit or loss | — | — | — |
| Amount before income tax effect | 15,347 | 10,005 | 114,929 |
| Income tax effect | — | — | — |
| Total | ¥15,347 | ¥10,005 | $114,929 |
| Defined Retirement Benefit Plans | | | |
| Adjustments arising during the year | ¥ (65) | ¥ 144 | $ (494) |
| Reclassification adjustments to profit or loss | (87) | (37) | (655) |
| Amount before income tax effect | (153) | 107 | (1,149) |
| Income tax effect | (46) | 33 | (352) |
| Total | ¥ (106) | ¥ 74 | $ (797) |
| Share of Other Comprehensive Income in associates | | | |
| Income arising during the year | ¥ 1,927 | ¥ (660) | $ 14,430 |
| Reclassification adjustments to profit or loss | (77) | 7 | (577) |
| Total | ¥ 1,849 | ¥ (653) | $ 13,853 |
| Total Other Comprehensive Income | ¥21,457 | ¥ 9,566 | $160,679 |

## 21. Supplemental Information on Changes in Equity

The decrease of 33 thousand shares of treasury stock is due to the payment from BBT mentioned above. Issued shares in common stock at the end of fiscal year includes treasury stock of 592,400 shares held by the Company's BBT. (See Note 2 (z) for details on BBT.)

## 22. Related-Party Disclosures

Transactions of the Group with related parties, i.e., a major shareholder, parent company of a major shareholder, unconsolidated subsidiaries, and fellow company for the years ended March 31, 2023 were as follows:

| | (Millions of yen) 2023 | (Thousands of U.S. dollars) 2023 |
|---|---|---|
| Borrowing funds | ¥ 3,432,729 | $ 25,705,628 |
| Securitization of receivables | 345,659 | 2,588,436 |
| Issuance of commercial paper | 1,295,400 | 9,700,464 |
| Payment of interest | 3,764 | 28,188 |
| Receipt of interest | 0 | 1 |
| Issuance of bonds payable | 82,200 | 615,546 |

The balances due to or from these companies at March 31, 2023 were as follows:

| | (Millions of yen) 2023 | (Thousands of U.S. dollars) 2023 |
|---|---|---|
| Prepaid expenses | ¥ 0 | $ 7 |
| Short-term borrowings | 171,215 | 1,282,127 |
| Commercial paper | 78,300 | 586,341 |
| Payables under securitized lease receivables | 50,272 | 376,463 |
| Current Portion of Long-term debt | 60,221 | 450,963 |
| Current Portion of Bonds Payable | 23,000 | 172,233 |
| Bonds payable | 274,200 | 2,053,317 |
| Long-term debt | 33,569 | 251,381 |
| Long-term payables under securitized lease receivables | 20,230 | 151,492 |
| Accrued expenses | 583 | 4,367 |

## 23. Per Share Information

Details of basic net income attributable to owners of the parent per share (“EPS”) for the years ended March 31, 2023 and 2022 were as follows:

| | (Millions of yen) | (Thousands of shares) | (Yen) | (U.S. dollars) | (Millions of yen) | (Thousands of shares) | (Yen) | (U.S. dollars) |
|---|---|---|---|---|---|---|---|---|
| For the year ended March 31, | 2023 | | | | 2022 | | | |
| | Net income attributable to owners of the parent | Weighted-average shares | EPS | | Net income attributable to owners of the parent | Weighted-average shares | EPS | |
| Basic EPS | | | | | | | | |
| Net income available to common shareholders | ¥ 28,398 | 48,400 | ¥ 586.75 | $ 4.39 | ¥ 14,902 | 48,375 | ¥ 308.07 | $ 2.31 |

## 24. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of Retained Earning at March 31, 2023, was approved at the Company’s shareholders’ meeting on June 27, 2023:

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| Year-end cash dividends, ¥82.00 ($0.61) per share | ¥ 4,018 | $ 30,090 |

# Corporate Information/Stock Information (As of March 31, 2023)

## Corporate Profile (As of March 31, 2023)

| | |
|---|---|
| **Company Name** | Mizuho Leasing Company, Limited |
| **Head Office** | 2-6 Toranomon 1-chome, Minato-ku, Tokyo 105-0001, Japan<br>Tel: +81-3-5253-6511 (main exchange) |
| **Date of Establishment** | December 1, 1969 |
| **Paid-in Capital** | ¥26,088 million |
| **Number of employees** | Consolidated: 1,964; Non-consolidated: 814 |
| **Business Description** | Integrated financial services |

## Business Sites (As of June 30, 2023)

| | |
|---|---|
| **Head Office** | 2-6 Toranomon 1-chome, Minato-ku, Tokyo 105-0001<br>+81-3-5253-6511 |
| **Sapporo Branch** | 1-44, Kita 3-jo Nishi 3, Chuo-ku, Sapporo, Hokkaido 060-0003<br>+81-11-231-1341 |
| **Sendai Branch** | 4-1, Ichiban-cho 2-chome, Aoba-ku, Sendai, Miyagi 980-0811<br>+81-22-223-2611 |
| **Corporate Business Dept. (Metropolitan Area No. 2)** | 65-2, Naka-cho 2-chome, Omiya-ku, Saitama, Saitama 330-0845<br>+81-48-631-0751 |
| **Toyama Branch** | 5-13, Sakurabashi-dori, Toyama, Toyama 930-0004<br>+81-76-444-1080 |
| **Shizuoka Branch** | 5-9, Miyuki-cho, Aoi-ku, Shizuoka, Shizuoka 420-0857<br>+81-54-205-3330 |
| **Nagoya Branch** | 11-11, Nishiki 1-chome, Naka-ku, Nagoya, Aichi 460-0003<br>+81-52-203-5891 |
| **Kyoto Branch** | 659, Tearaimizu-cho, Nishikikozi-agaru, Karasuma-dori, Nakagyo-ku, Kyoto, Kyoto 604-8152<br>+81-75-223-1545 |
| **Osaka Business Dept.** | 1-1, Koraibashi 4-chome, Chuo-ku, Osaka, Osaka 541-0043<br>+81-6-6201-3981 |
| **Hiroshima Branch** | 1-22, Kamiyacho 2-chome, Naka-ku, Hiroshima, Hiroshima 730-0031<br>+81-82-249-4435 |
| **Takamatsu Branch** | 6-8, Bancho 1-chome, Takamatsu, Kagawa 760-0017<br>+81-87-823-7321 |
| **Fukuoka Branch** | 13-2, Tenzin 1-chome, Chuo-ku, Fukuoka, Fukuoka 810-0001<br>+81-92-714-5671 |

## Management (As of June 30, 2023)

| | | |
|---|---|---|
| Directors | Director and Chairman (Chairman of the Board) | Shusaku Tsuhara |
| | President and CEO | Akira Nakamura |
| | Deputy President | Hiroshi Nagamine |
| | Senior Managing Director | Takanori Nishiyama |
| | Managing Director | Noboru Otaka |
| | Managing Director | Toshiyuki Takezawa |
| | Independent Outside Director | Naofumi Negishi |
| | Independent Outside Director | Hirofumi Hagihira |
| | Independent Outside Director | Mari Sagiya |
| | Outside Director | Hajime Kawamura |
| | Independent Outside Director | Takayuki Aonuma |
| | Independent Outside Director | Hirozumi Sone |
| Corporate Auditors | Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) | Tatsuya Yamada |
| | Standing Audit & Supervisory Board Member | Hidehiko Kamata |
| | Standing Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) | Koji Arita |
| | Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) | Hideki Amano |

**Executive Officers**

Managing Executive Officers: Toshiyuki Takahashi, Masanobu Kobayashi, Katsuzumi Orihashi, Nobuhisa Zama, Masahiko Abe, Takashi Yamada, Yasuhiko Hashimoto, Kazuomi Funakawa, Kensuke Sato, Hirohide Ishiyama, Norio Sumi

Executive Officers: Hiromichi Koyata, Kunihiro Mio, Mitsuyuki Kimura, Toru Mukojima, Koki Minami, Yutaka Sato, Nobufusa Takeuchi, Naoto Moriya, Masashi Takahata, Naoyuki Machinaga, Ryuji Fujiwara, Yukiko Komatsu, Taketo Imai, Hiroyuki Kudo, Masato Matsui

## Stock Information (As of March 31, 2023)

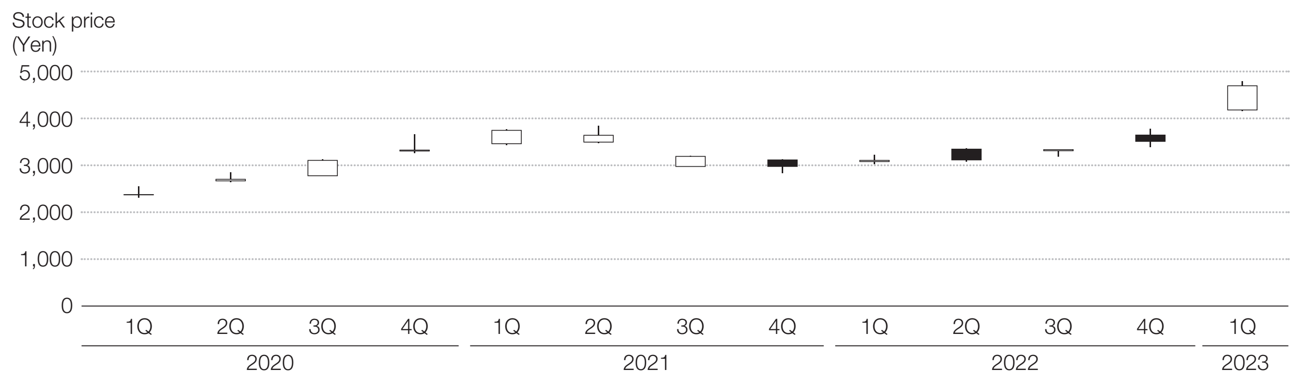
| | |
|---|---|
| **Number of Shares Authorized** | 140,000,000 |
| **Number of Shares Issued** | 49,004,000 |
| **Number of Shareholders** | 80,785 |
| **Stock Exchange Listing** | Tokyo Stock Exchange, Prime Market |
| **Securities Code** | 8425 |
| **Shareholder Registry Administrator** | Mizuho Trust & Banking Co., Ltd. |
| **(Office Location)** | Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.<br>3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo |

## Major Shareholders (Top 10)

| Shareholders | Number of Shares Held (1,000 shares) | Shareholding Ratio (%) |
|---|---|---|
| Mizuho Financial Group, Inc. | 11,283 | 23.03 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,979 | 6.08 |
| Marubeni Corporation | 2,157 | 4.40 |
| RICOH LEASING COMPANY, LTD. | 1,500 | 3.06 |
| The Dai-ichi Life Insurance Company, Limited | 1,465 | 2.99 |
| DOWA HOLDINGS CO., LTD. | 1,120 | 2.29 |
| Meiji Yasuda Life Insurance Company | 1,001 | 2.04 |
| Custody Bank of Japan, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.) | 900 | 1.84 |
| IINO KAIUN KAISHA, LTD. | 666 | 1.36 |
| Custody Bank of Japan, Ltd. (Trust Account E) | 592 | 1.21 |

* Shareholding ratio is calculated by deducting treasury stock.

## Stock Performance




## Major Group Companies (As of June 30, 2023)

| Company Name | Location | Paid-in Capital or Investment | Business Activity | Ownership |
|---|---|---|---|---|
| Mizuho-Toshiba Leasing Company, Limited | Japan | ¥1,520 million | General leasing | 90% |
| Dai-ichi Leasing Co., Ltd. | Japan | ¥2,000 million | General leasing | 90% |
| Mizuho Auto Lease Company, Limited | Japan | ¥386 million | Auto leasing | 100% |
| Universal Leasing Co., Ltd. | Japan | ¥50 million | General leasing | 90% |
| ML Estate Company, Limited | Japan | ¥10 million | Real estate leasing | 100% |
| ML Shoji Company, Limited | Japan | ¥310 million | Used equipment sales | 100% |
| ML Office Service Company, Limited | Japan | ¥10 million | Office services | 100% |
| Mizuho Leasing (China) Ltd. | China | US$30,000 thousand | General leasing | 100% |
| PT Mizuho Leasing Indonesia Tbk | Indonesia | IDR568,735,399 thousand | General leasing | 67% |
| Mizuho Leasing (UK) Limited | United Kingdom | GBP6,000 thousand | General leasing | 100% |
| IBJ Air Leasing Limited | Bermuda | US$1 | Aircraft leasing | 75% |
| IBJ Air Leasing (US) Corp. | USA | US$100 | Aircraft leasing | 75% |
| Mizuho Leasing (Singapore) Pte. Ltd. | Singapore | US$50,000 | General leasing | 100% |
| Mizuho Marubeni Leasing Corporation* | Japan | ¥4,390 million | General leasing | 50% |
| RICOH LEASING COMPANY, LTD.* | Japan | ¥7,896 million | General leasing | 20% |
| Nippon Steel Kowa Real Estate Co., Ltd.* | Japan | ¥19,824 million | Real estate related | 22% |
| Mizuho Capital Co., Ltd.* | Japan | ¥902 million | Financing | 15% |
| PLM Fleet, LLC* | USA | US$72,933 thousand | Trailer leasing | 50% |
| Krungthai Mizuho Leasing Co., Ltd.* | Thailand | THB100,000 thousand | General leasing | 49% |
| PNB-Mizuho Leasing and Finance Corporation* | Philippines | PHP1,000,000 thousand | General leasing | 25% |
| Aircastle Limited* | Bermuda | US$140 | Aircraft leasing | 25% |
| Vietnam International Leasing Co., Ltd.* | Vietnam | VND580,000 million | General leasing | 18% |
| Affordable Car Leasing Pty Ltd* | Australia | AUD40 million | Financing | 50% |
| Rent Alpha Pvt. Ltd. | India | INR2,820 thousand | General leasing | 51% |

* An equity-method affiliate

Link to Annual Report of Mizuho Leasing Company, Limited
https://www.mizuho-ls.co.jp/en/ir/library/securities.html