

## 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
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	¥ 33,453	¥ 24,502	\$ 250,515
Lease Receivables and Investments in Lease (Notes 4 and 5)	1,122,211	1,172,643	8,403,562
Receivables (Notes 4 and 5):			
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 4 and 5)	322,663	239,843	2,416,233
Prepaid Expenses and Other	37,018	33,608	277,212
Allowance for Doubtful Receivables	(1,036)	(1,249)	(7,759)
Total Current Assets	2,279,668	2,166,681	17,071,055
<b>Property and Equipment:</b>			
Leased Assets (Notes 4 and 5)	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
<b>Investments and Other Assets:</b>			
Investment Securities (Note 5)	17,157	18,059	128,484
Investments in Unconsolidated Subsidiaries and Associated Companies	223,460	185,594	1,673,360
Long-term Receivables	25,813	32,691	193,301
Intangible Leased Assets (Note 4)	9,552	10,107	71,531
Deferred Tax Assets	7,085	9,804	53,063
Asset for Employees' Retirement Benefits	759	856	5,687
Other	23,432	25,029	175,473
Allowance for Doubtful Receivables	(5,141)	(8,482)	(38,504)
Total Investments and Other Assets	302,120	273,661	2,262,395
<b>Total Assets</b>	<b>¥ 2,954,634</b>	<b>¥ 2,748,810</b>	<b>\$ 22,125,463</b>

See accompanying Notes to Consolidated Financial Statements.

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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
<b>LIABILITIES and EQUITY</b>			
<b>Current Liabilities:</b>			
Short-term Borrowings (Notes 5 and 6)	¥ 1,206,016	¥ 1,180,237	\$ 9,031,129
Current Portion of Long-term Debt (Notes 5 and 6)	272,009	270,456	2,036,916
Lease Payable	18,219	10,382	136,435
Accounts Payable - trade	24,512	34,698	183,557
Accrued Expenses	4,964	4,037	37,174
Income Taxes Payable	2,719	4,459	20,364
Deferred Profit on Installment Sales (Note 4)	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
<b>Long-term Liabilities:</b>			
Long-term Debt (Notes 5 and 6)	1,059,528	924,550	7,934,167
Deposits Received	30,550	31,038	228,775
Liability for Employees' Retirement Benefits	2,409	2,349	18,041
Reserve for Management Board Benefit Trust	-	504	-
Other	12,856	11,188	96,276
Total Long-term Liabilities	1,105,345	969,632	8,277,259
<b>Contingent Liabilities (Note 7)</b>			
<b>Equity:</b>			
Common Stock	26,088	26,088	195,357
Authorized, 140,000,000 Shares;			
Issued, 49,004,000 Shares as of March 31, 2023 and 2022			
Capital Surplus	23,941	23,941	179,284
Retained Earnings	181,484	158,966	1,359,029
Treasury Stock - at cost	(1,618)	(1,709)	(12,118)
593,299 shares as of March 31, 2023 and			
626,799 shares as of March 31, 2022			
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)
Long-term Receivables	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
<b>Total Liabilities and Equity</b>	<b>¥ 2,954,634</b>	<b>¥ 2,748,810</b>	<b>\$ 22,125,463</b>

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
<b>Revenues</b>	¥ 529,700	¥ 554,809	\$ 3,966,605
<b>Cost and Expenses</b>	468,333	500,274	3,507,065
<b>Gross Profit</b>	61,366	54,534	459,540
<b>Selling, General and Administrative Expenses</b>	29,610	36,640	221,736
<b>Operating Income</b>	31,756	17,893	237,804
<b>Other Income (Expenses):</b>			
Interest Income	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 (Note 8)	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
<b>Income before Income Taxes</b>	40,036	20,227	299,810
<b>Income Taxes:</b>			
Current	7,877	9,314	58,988
Deferred	2,710	(4,627)	20,298
Total	10,587	4,686	79,286
<b>Net Income</b>	29,448	15,540	220,524
<b>Net Income attributable to Non-controlling Interests</b>	1,050	638	7,863
	¥ 28,398	¥ 14,902	\$ 212,661
		Yen	U.S. dollars (Note 1)
	2023	2022	2023
<b>Amounts per Share of Common Stock (Note 9)</b>			
Net Income attributable to Owners of the Parent per Share	¥ 586.75	¥ 308.07	\$ 4.39

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
<b>Net Income</b>	¥ 29,448	¥ 15,540	\$ 220,524
<b>Other Comprehensive Income :</b>			
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
<b>Comprehensive Income</b>	¥ 50,905	¥ 25,107	\$ 381,203
<b>Total Comprehensive Income attributable to:</b>			
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			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
<b>Balance as of April 1, 2021</b>	<b>48,371</b>	<b>¥ 26,088</b>	<b>¥ 23,941</b>	<b>¥ 149,148</b>	<b>¥ (1,725)</b>
Net Income attributable to Owners of the Parent				14,902	
Cash Dividends Paid				(5,243)	
Purchase of Treasury Stock	(0)				(0)
Disposal of Treasury Stock	6				16
Change in Scope of Consolidation				(0)	
Change in Scope of Equity Method				158	
Net change during year					
<b>Balance as of March 31, 2022</b>	<b>48,377</b>	<b>¥ 26,088</b>	<b>¥ 23,941</b>	<b>¥ 158,966</b>	<b>¥ (1,709)</b>
Net Income attributable to Owners of the Parent				28,398	
Cash Dividends Paid				(5,880)	
Purchase of Treasury Stock					
Disposal of Treasury Stock	33				91
Change in Scope of Consolidation					
Change in Scope of Equity Method					
Net change during year					
<b>Balance as of March 31, 2023</b>	<b>48,410</b>	<b>¥ 26,088</b>	<b>¥ 23,941</b>	<b>¥ 181,484</b>	<b>¥ (1,618)</b>

	Millions of yen						
	Accumulated Other Comprehensive Income				Total	Non- controlling Interests	Total Equity
	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
<b>Balance as of April 1, 2021</b>	<b>¥ 6,509</b>	<b>¥ (1,227)</b>	<b>¥ (2,771)</b>	<b>¥ 652</b>	<b>¥ 200,614</b>	<b>¥ 10,237</b>	<b>¥ 210,852</b>
Net Income attributable to Owners of the Parent					14,902		14,902
Cash Dividends Paid					(5,243)		(5,243)
Purchase of Treasury Stock					(0)		(0)
Disposal of Treasury Stock					16		16
Change in Scope of Consolidation					(0)		(0)
Change in Scope of Equity Method					158		158
Net change during year	743	(590)	8,749	94	8,996	1,119	10,116
<b>Balance as of March 31, 2022</b>	<b>¥ 7,252</b>	<b>¥ (1,817)</b>	<b>¥ 5,977</b>	<b>¥ 747</b>	<b>¥ 219,445</b>	<b>¥ 11,357</b>	<b>¥ 230,803</b>
Net Income attributable to Owners of the Parent					28,398		28,398
Cash Dividends Paid					(5,880)		(5,880)
Purchase of Treasury Stock							
Disposal of Treasury Stock					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
<b>Balance as of March 31, 2023</b>	<b>¥ 11,849</b>	<b>¥ (2,204)</b>	<b>¥ 22,620</b>	<b>¥ 601</b>	<b>¥ 262,762</b>	<b>¥ 13,071</b>	<b>¥ 275,834</b>

	Thousands of U.S. dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
<b>Balance as of March 31, 2022</b>	<b>\$ 195,357</b>	<b>\$ 179,284</b>	<b>\$ 1,190,403</b>	<b>\$ (12,802)</b>
Net Income attributable to Owners of the Parent			212,661	
Cash Dividends Paid			(44,035)	
Purchase of Treasury Stock				
Disposal of Treasury Stock				684
Change in Scope of Consolidation				
Change in Scope of Equity Method				
Net change during year				
<b>Balance as of March 31, 2023</b>	<b>\$ 195,357</b>	<b>\$ 179,284</b>	<b>\$ 1,359,029</b>	<b>\$ (12,118)</b>

	Thousands of U.S. dollars (Note 1)						
	Accumulated Other Comprehensive Income				Total	Non- controlling Interests	Total Equity
	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
<b>Balance as of March 31, 2022</b>	<b>\$ 54,310</b>	<b>\$ (13,613)</b>	<b>\$ 44,764</b>	<b>\$ 5,595</b>	<b>\$ 1,643,298</b>	<b>\$ 85,048</b>	<b>\$ 1,728,346</b>
Net Income attributable to Owners of the Parent					212,661		212,661
Cash Dividends Paid					(44,035)		(44,035)
Purchase of Treasury Stock							
Disposal of Treasury Stock					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
<b>Balance as of March 31, 2023</b>	<b>\$ 88,731</b>	<b>\$ (16,508)</b>	<b>\$ 169,388</b>	<b>\$ 4,504</b>	<b>\$ 1,967,667</b>	<b>\$ 97,887</b>	<b>\$ 2,065,554</b>

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
<b>Cash Flows from Operating Activities:</b>			
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 (Note 8)	(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)
<b>Income Taxes:</b>			
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)
Long-term Receivables			
<b>Cash Flows from Financing Activities:</b>			
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, 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. Certain disclosures required in the notes to the financial statements by the Japanese Financial Instruments and Exchange Law are omitted in this Business Report (Kessan Tanshin).

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, respectively. 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.

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 (\$4,746 thousand) 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 the 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 interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any



difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**(c) Cash Equivalents**

Cash Equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash Equivalents include time deposits, 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 (5years) 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 the 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 is 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 gain and loss 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 March 17, 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.

#### **(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.

### 3. 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.

### 4. Operating Assets

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2023	2022	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)		(Thousands of U.S. dollars)
	2023	2022	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

## 5. Pledged Assets

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

	(Millions of yen)	(Thousands of U.S. dollars)
	2023	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
<b>Total</b>	<b>¥74,348</b>	<b>\$556,752</b>

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

	(Millions of yen)	(Thousands of U.S. dollars)
	2023	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
<b>Total</b>	<b>¥49,160</b>	<b>\$368,133</b>

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

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

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

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2023	2022	2023
Long-term Debt			
Bonds payable	<b>¥280,743</b>	¥220,998	<b>\$2,102,317</b>
Long-term Debt from banks and other financial institutions	<b>747,654</b>	681,948	<b>5,598,727</b>
Payables under securitized lease receivables	<b>31,131</b>	21,603	<b>233,123</b>
<b>Total</b>	<b>¥1,059,528</b>	<b>¥924,550</b>	<b>\$7,934,167</b>

## 7. 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	<b>¥13,101</b>	<b>\$98,108</b>
Other Guarantee Obligations	<b>22,684</b>	<b>169,870</b>
<b>Total</b>	<b>¥35,785</b>	<b>\$267,978</b>

## 8. Segment Information

### (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			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
Leasing and Installment Sales	Finance	Other				
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			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
	Leasing and Installment Sales	Finance	Other			
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				Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
	Leasing and Installment Sales	Finance	Other				
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)		(Thousands of U.S. dollars)
	2023	2022	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)		(Thousands of U.S. dollars)
	2023	2022	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
<u>¥300,464</u>	<u>¥16,203</u>	<u>¥55,456</u>	<u>¥721</u>	<u>¥372,845</u>
(Millions of yen)				
2022				
Japan	Europe	North America / Latin America	Asia	Total
<u>¥264,865</u>	<u>¥8,557</u>	<u>¥34,696</u>	<u>¥347</u>	<u>¥308,467</u>
(Thousands of U.S. dollars)				
2023				
Japan	Europe	North America / Latin America	Asia	Total
<u>\$2,249,993</u>	<u>\$121,341</u>	<u>\$415,277</u>	<u>\$5,402</u>	<u>\$2,792,013</u>

(\*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.

## 9. 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:

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