FUYO LEASE GROUP

Fuyo Lease Group Integrated Report

2021

Go Where No One Has Gone Before

We believe.
Leasing is not just about lending things.
It's about lending inspiration, intelligence and a sense of wonder.

We believe.
We embrace challenges, because they are the fountain of new business.

We believe.
Meeting expectations is our duty. Exceeding them is our profession.

We believe.
Succeeding is easy when times are good, but true partners are there even in the hard times.

We act.
To open up new business opportunities in this country, we will take the first bold step.

We will expand the frontier of leasing.

We are Fuyo Lease.

Our corporate slogan, "Go where no one has gone before," embodies the Fuyo Lease Group's mission of sincerely responding to customers' needs and providing them with solutions that exceed their expectations, as well as our commitment to pioneering new business frontiers.

Management Philosophy

We support corporate activities through our leasing business while contributing to the development of society.

We maintain customers first philosophy, providing the best services.

We aim to earn high marks from shareholders and markets while pursuing creativity and innovation.

We create a challenging and rewarding workplace where employees think and act on their own.

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Editorial Policy

Purpose of this Report	Since fiscal year 2018, Fuyo Lease Group has integrated its CSR Report and Annual Report into an Integrated Report. This report is designed to provide information on our financial and non-financial activities in an integrated manner to help our shareholders, investors, and other stakeholders assess the Group's value comprehensively. We also aim to showcase the foundation of all our activities for value creation which will help stakeholders better understand our future corporate values.
About Integrated Report 2021	In this Integrated Report, the President conveys in his own words the Creating Shared Value (CSV) approach, which serves as the company's management decision criteria, and how the group organizes its thinking on ESG finance and the SDGs concept, which are global trends. The report has been thoughtfully prepared to help all our stakeholders understand the group's philosophy toward value creation. Additionally, we have newly presented our vision for "contributing to the creation of a circular society", which we perceive as the seedling of future value creation. We have further expanded and modified our disclosure of information concerning the evaluation of effectiveness and remuneration structure to improve the transparency of the governance system that supports the Group's management.
Reporting Period	Fiscal year 2020 (April 2020 - March 2021) *The report also includes some information pertaining to fiscal year 2021.
Scope of Reporting	Fuyo General Lease Co., Ltd., its 52 consolidated subsidiaries and 8 affiliate companies
Reference Guidelines	Value Reporting Foundation "International Integrated Reporting Framework" (published in January 2021)
Date of Issuance	September, 2021
Note on Forward-Looking Statements	This report contains forward-looking statements, such as future plans and strategies, that are based on currently available information. These expectations and projections are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These uncertainties include, but are not limited to social and economic conditions, market demand and competition, laws and regulations, interest rates, and currency exchange rates.

Expanding our areas of business, both in and outside Japan, through management founded on CSV
Working toward sustainable growth by achieving both social and corporate value

Yasunori Tsujita
President & Chief Executive Officer

Review of the Medium-Term Management Plan

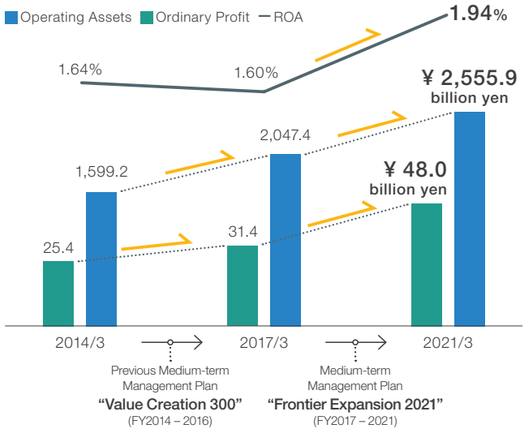
This year marks the fifth and final year of the Fuyo Lease Group's five-year Medium-term Management Plan, Frontier Expansion 2021.

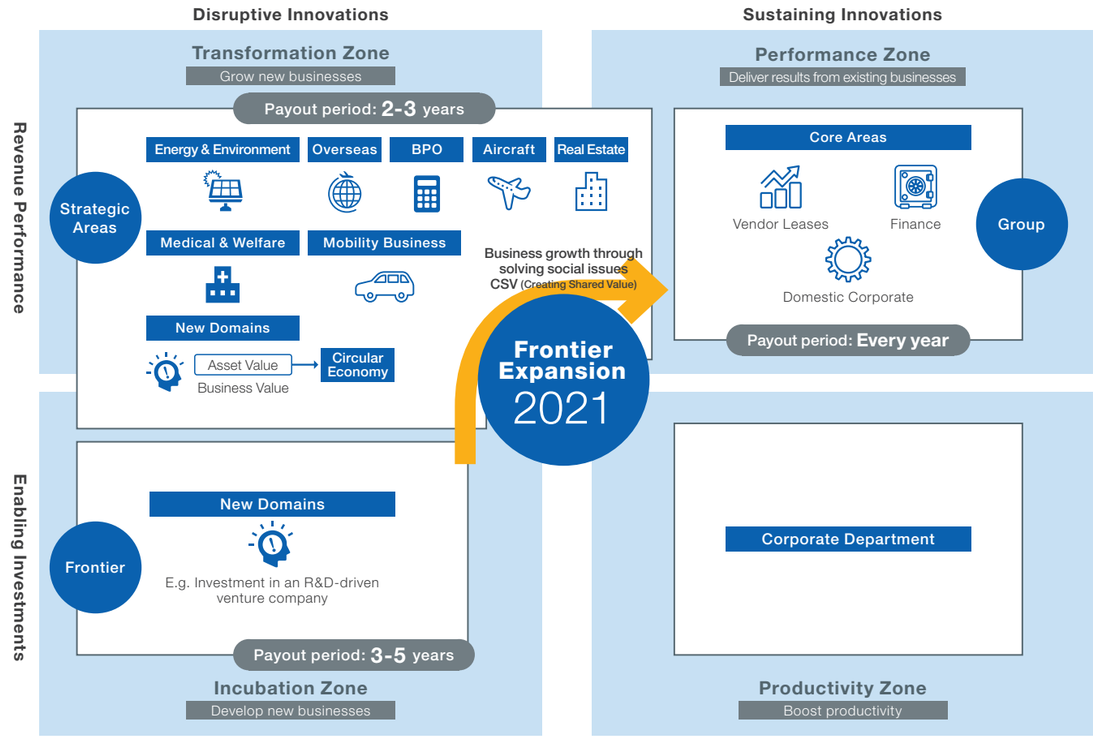
During this Medium-term Management Plan, I have managed the Group with a strong desire to demonstrate that sustainable growth is possible, even in the lease industry, generally considered a business that is stable at a low position. To that end, we are clearly aware of non-finance leasing—shifting our focus from traditional finance leases to operating leases—and are moving forward with non-financial initiatives typified by the renewable energy power generation business and business process outsourcing (BPO), positioning them as Strategic Areas. The fact that we have continued to grow by about 10% annually over the past several years, indicates, I think, that the Group's management strategy demonstrates a business model for enabling sustainable growth.

Supporting this growth has been the management of our business portfolio, based on a zone management approach (see diagram on P04) under which we have divided our business areas into four zones to advance selection and concentration.

Conventional lease and finance businesses are positioned as core areas in the Performance Zone where they generate stable earnings. Real Estate, Medical & Welfare, Energy & Environment and other fields are positioned as Strategic Areas in the Transformation Zone, where we have concentrated management resources to expand the business. We have grown steadily in these Strategic Areas over the past four years, while in our core areas, we have succeeded in greatly improving yields through a combination of portfolio restructuring and thorough cost reductions. In the area of New Domains, I believe we have made beneficial investments in venture companies that we can expect will play a part in growth going forward.

Changes in Key Indicators over the Last 7 Years





Reference: Zone to Win: Organizing to Compete in an Age of Disruption(Written by Geoffrey A. Moore, translated by Kiyoshi Kurihara)

These efforts have led to real results, allowing us to reach ¥2,555.9 billion in operating assets, achieving our target ahead of schedule, while significantly growing ordinary profit from ¥31.4 billion at the start of the plan to ¥48.0 billion.

Thorough Discussion of Goals for CSV

Maintaining and further enhancing this growth in preparation for the next Medium-term Management Plan will be a major issue going forward. While I believe our Group corporate slogan, "Go where no one has gone before," has been the driver of our growth to date, that is not to say we can simply aim to go anywhere. I have always believed that some philosophy is essential to choosing our direction. Moreover, as SDGs, ESG and other societal demands and issues have increased their presence in the public eye, I believe it's imperative that employees share our approach and we communicate it to all of our stakeholders in a manner that's easy to understand.

ESG strongly represents the perspective of society and stakeholders, while the SDGs alone, I feel, lack view from business potential. The Group has thus positioned CSV as the link between these two, and we believe it is important to build a system—human resources, organizations, and governance—that can continually generate both corporate value (profit) and social value (solutions to problems). In the medium to long term, this will lead to our becoming "part of a system that aims for a better society."

I believe that a company contributes to its stakeholders by growing sustainably and continuing to solve issues with the goal of achieving a better society. We will continue working to respond to the expectations of our clients, business partners, employees and investors.

Enhancing the Human Resources and Organizations that Support the Practice of CSV

The ultimate means of continually generating value to is to build these approaches into the very foundation of management itself. While the Group's business domains have gradually expanded, if we are to discuss future areas of expansion it is essential that each employee has a solid understanding of what CSV means for the Group. This is why training and workshops were held for all employees in fiscal 2020. In October 2020, we also established a CSV Promotion Committee to serve as the organization responsible for establishing and promoting strategies and policies involving the Group's approach to sustainability. Going forward, management will take responsibility for advancing non-financial targets just as they do financial targets.

The Board of Directors is also active in discussing the Group's value creation, and plans to exchange opinions from a variety of perspectives in formulating the next Medium-term Management Plan.

Contributing to Solving Social Issues through Business

The Group is concentrating management resources in businesses that aim to solve social issues, including climate change, enhancing medicine and welfare and improving corporate productivity.

In addressing climate change, companies are being called on to reduce greenhouse gases. While the Group has participated in RE100 and set forth a goal of converting 100% of the electric power used in its business activities to renewable energy by 2050, we recently decided to move that target date up to 2030. In addition to our shift to renewable energy to power our businesses, we are also working to reduce CO_2 overall with the goal of simultaneously achieving carbon neutrality on a Group-wide basis.

In services to customers, we have seen steady growth in sales of our Green Electricity Supply Services (PPA Services*1), launched in anticipation of corporate moves toward decarbonization. In addition to on-site PPA*2, we also expect an increase in off-site PPA*3 going forward. Our Fuyo Zero-Carbon City Support Program, which we began offering in October 2020, has seen the number of users reach more than 100 in just about six months, an indication of just how high customer needs are in the shift to decarbonization.

Meanwhile, we are also actively expanding our Energy & Environment business overseas. In Asia, in addition to investing in a solar power generation fund in Taiwan, we also launched an energy solutions company in Thailand with Sharp Corporation. We also joined with ENEOS Corporation to participate in a solar power generation business in Texas, U.S.

Efforts toward the circular economy*4 are similarly essential to building a sustainable world. While the Group has long promoted the 3Rs*5, we took initiatives to the next level by becoming the first financial institution in Japan to join the Ellen MacArthur Foundation, an international organization promoting the idea of the circular economy. We have already begun exchanging information with other members, and are engaged in concrete discussions with several companies with a view toward collaboration. I sense enormous potential here for lease companies like ours to serve as a central node in the circular economy, connecting companies acting as "arteries" in producing and selling products with those acting as "veins" in recycling and reusing those products.

In the Medical & Welfare business, given the growing need for non-in-person, contactless services during the COVID-19 pandemic, we established Medicare in, a dedicated website allowing users to sign up online for FPS Medical, an early payment service for medical and nursing care receivables that assists medical institutions with managing cash flow. To further enhance convenience, we also plan to develop a shared platform that can provide a centralized source for medical equipment and services offered by our Group companies.

Our BPO business, which assists in improving corporate productivity, now represents more than 10% of overall profits, and continues to grow into a pillar of the Group. After the COVID-19 pandemic, companies are expected to accelerate their efforts to streamline operations and reform how they work, and we will be working to strengthen timely proposals for utilizing RPA*6 and offering a single set of efficiencies from upstream to downstream.

Working to Achieve Sustainable Corporate Growth

Results for fiscal 2020 saw net sales reach ¥740.3 billion (up 3.9% year on year) with ordinary profit of ¥48.0 billion (up 9.0% year on year), and our dividend increased by ¥35 year over year to ¥240, for a payout ratio of 24.3%. For fiscal 2021, we expect a ¥20 increase in the dividend, to ¥260, and a payout ratio of 25.2%.

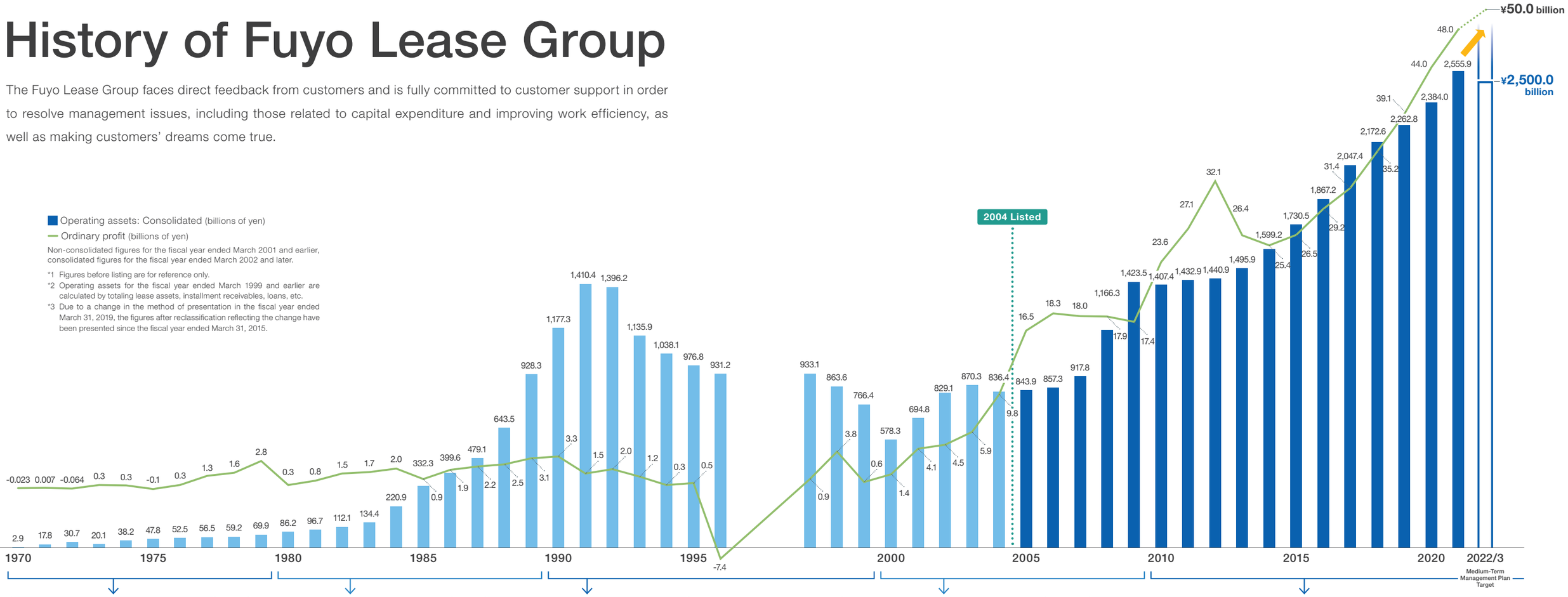
We were largely unaffected by the drastic changes in conditions brought about by the COVID-19 pandemic, and succeeded in delivering solid results. With these kinds of previously unimaginable events occurring each year, I believe it will no longer be possible for management to respond as we have in the past by simply advancing straight into the future. We recognize the importance of continuing to implement our cycle of developing, enacting and verifying hypotheses, revising them when necessary.

We will continue our sustainable growth, while at the same time offering value to achieve a better society. We hope you will look forward to our future contributions.

*1 Green Electricity Supply Services (PPA Services): A business installing solar power systems on rooftops at customer facilities and elsewhere to supply energy directly to them.
*2 On-site PPA: In an on-site corporate PPA, the power producer installs, operates and maintains power generation equipment to supply power produced on-site to the customer.
*3 Off-site PPA: In an off-site corporate PPA, a renewable energy generating facility is built outside of a company's premises, and electrical power is supplied through a transmission network.
*4 Circular economy: An economic system that treats "waste" products and resources not utilized in the linear take-make-waste economy as new "resources," circulating those resources without generating waste.
*5 3Rs: Reduce (the amount of waste generated), reuse and recycle.
*6 RPA: Acronym for robotic process automation. This process uses robots to handle routine computer tasks normally carried out by people.

History of Fuyo Lease Group

The Fuyo Lease Group faces direct feedback from customers and is fully committed to customer support in order to resolve management issues, including those related to capital expenditure and improving work efficiency, as well as making customers' dreams come true.



1969-1979

Established as a leasing company of the Fuyo Group

1969 Established Fuyo General Lease Co., Ltd.
1978 Launched aircraft leases

In May 1969, Fuyo General Lease was established with equity investments provided by six Fuyo Group companies, including Fuji Bank (now Mizuho Bank) and Marubeni-Iida (now Marubeni Corporation), capitalized at 100 million yen with six employees. The Company saw its contract closings grow significantly, primarily around information equipment and industrial machinery in response to corporate needs for modernization in the midst of high economic growth and intensifying competition. The Company participated in the first aircraft lease in Japan.

Otemachi Building (1969)

1980-1989

Growth, entering fields other than leasing and installment sales

1987 Established Fuyo Auto Lease Co., Ltd.
1988 Established Fuyo General Lease (USA) Inc.
Launched space leases

Leasing expanded as a means of deploying equipment, backed by an acceleration in management rationalization and streamlining brought by advances in technology. The Group continued to grow through real estate-related transactions, among other business, and also responded to increasing demand for corporate auto leasing by splitting off its automotive sales department to form the independent Fuyo Auto Lease. At the same time, we established our first staffed overseas base in the US to capture demand for leasing not only in Japan but overseas as well. This was the start of our global expansion, which continues today.

Established Fuyo Auto Lease Co., Ltd. (1987)

Launched Space Leases (1988)

1990-1999

Expansion of lease demand brings service diversification

1994 Established Aqua Art Co., Ltd.
1995 Established Fuyo Network Service Co., Ltd.
1996 Established Fuyo Lease Sales Co., Ltd.

While the collapse of the bubble economy brought a drop in lease transaction volume and impacted Group profits, society once again recognized the importance of leasing as a means to rationalizing and streamlining corporate management. In response to these social trends, the Group established a number of group companies to offer services not limited to leasing and finance, including Fuyo Network Service, Fuyo Lease Sales and Aqua Art, putting in place a structure that would enable us to address companies' diverse needs.

Established Aqua Art Co., Ltd. (1994)

Aircraft Leases (Marine Jumbo) (1993)

2000-2009

Public listing, efforts to align with the environment and society

2000 Launched building leases
2004 Listed on the First Section of the Tokyo Stock Exchange (December)
2006 Conclusion of the first deal of ESCO business

As the Group expanded into business areas such as building leases in response to demand from retail customers with multi-store operations, we successfully listed on the First Section of the Tokyo Stock Exchange in December 2004. Subsequently, the Company established its Energy & Environment Business Office, and with our first successful deal of ESCO business in 2006, we began ramping up our environmental business just as the environment was gaining increased attention as a social issue. At the same time, we began making other efforts to ensure our business activities were aligned with the environment and society, such as acquiring ISO 14001 certification and publishing our first CSR Report, and fostered awareness within the company.

Listed on the First Section of the Tokyo Stock Exchange (2004)

2010-

New business fields

2012 Started commercial operation of solar power plants
2014 Made Aircraft Leasing and Management Limited (ALM) a consolidated subsidiary
2017 Made Accretive Co., Ltd. a consolidated subsidiary
2018 Participated in RE100
Made INVOICE Inc. a consolidated subsidiary
2019 Made NOC Outsourcing & Consulting Inc. a consolidated subsidiary
2020 Made Yamato Lease Co., Ltd. a consolidated subsidiary
Established Fuyo General Lease (Taiwan) Co., Ltd.
2021 Established a directly controlled base in Thailand Fuyo General Lease (Thailand) Co., Ltd.

We responded to society's diversifying needs through broad business development, embodying the slogan we established in 2012, "Go where no one has gone before." We launched a renewable energy generation business to address the problem of climate change, and at the same time, expanded our business portfolio, in areas such as BPO and the Mobility Business, through active M&A. These included Accretive, which offers highly convenient financial services, and INVOICE and NOC Outsourcing & Consulting, which provide BPO services that contribute to greater management efficiency. YAMATO LEASE, which offers support services to address management issues at transport companies, also joined the Group. In addition, to strengthen our ability to provide solutions and financing support to overseas customers, we are establishing new overseas bases and investing in companies outside Japan as we focus on a broader global expansion.

Made ALM (UK) a consolidated subsidiary (2014)

Namie Sakai Solar Power Plant 1 and 2 (Fukushima, Namie) (2020)

Overview of Fuyo Lease Group

Real Estate · Medical & Welfare · Energy & Environment · Aircraft · Overseas · New Domains · BPO · Mobility Business · Domestic Corporate · Finance · Vendor Leases

The Fuyo Lease Group is working to identify risks and opportunities presented by societal changes and issues, and offering diverse solutions that lead to resolving them.

Overview of Fuyo General Lease Co., Ltd.

Company name	Fuyo General Lease Co., Ltd.
Headquarters	Kojimachi Garden Tower, 5-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
Established	May 1, 1969
Paid-in capital	¥10,532 million (Number of shares outstanding: 30,288,000 shares)
Shares listed on	First Section of the Tokyo Stock Exchange (ticker: 8424)
Number of employees	Consolidated: 2,637 / Non-consolidated: 759 (as of March 31, 2021)
Operation	Domestic: Head office sales department and 15 regional sales offices (non-consolidated) 19 domestic group companies 11 overseas group companies
Line of business	● Leasing and installment sales of IT equipment, office equipment, industrial machinery/machine tools, commercial/service equipment, medical devices, transportation equipment (ships, aircraft, automobiles, etc.), civil engineering and construction machinery, etc. ● Commercial loans and other financial services ● Leasing of real estate ● Consultative services, etc.

Domestic Group Companies

Fuyo Auto Lease Co., Ltd.

Through auto leasing, Fuyo Auto Lease streamlines complicated operations relating to customers' vehicles and provides total support for rationalizing management.

YAMATO LEASE CO., LTD.

In addition to support for new and used truck leasing, procurement and sales, the company also offers services to assist transport companies with management issues, including succession problems and driver shortages.

Fuyo Lease Sales Co., Ltd.

Fuyo Lease Sales handles all of the clerical tasks for leased assets after their leases expire, as well as sales of used assets. It also buys and sells customer-owned used assets.

Sharp Finance Co., Ltd.

As a good partner of sales companies, Sharp Finance offers financial services solutions, which include leasing items for sales promotions.

FUJITA Co., Ltd.

FUJITA specializes in replacing medical equipment in addition to buying and removing second-hand medical equipment. FUJITA also assists hospitals and clinics close medical practices.

FGL Group Business Service Co., Ltd.

FGL Group Business Service handles shared services related to the sales administration of each Fuyo Lease Group and non-life insurance agency business

Accretive Co., Ltd.

Accretive provides highly convenient financial services and BPO services related to accounting, focusing mainly on factoring business for medical and nursing care receivables.

Nihon Credit Lease Corporation

Nihon Credit Lease leases nursing care equipment such as wheelchairs and electric beds.

FGL Group Management Service Co., Ltd.

FGL Group Management Service handles shared services related to human resources and administrative work for each Fuyo Lease Group.

INVOICE Inc.

INVOICE's offering includes business customers combined billing services that help reduce costs and improve productivity, and Internet services for residential buildings for individual customers.

Fuyo Network Service Co., Ltd.

Fuyo Network Service sells ICT equipment and software, offers technical services, including PC installation and setup of various applications, building network servers and erases data, as well as reselling second-hand PCs.

Yokogawa Rental & Lease Corporation

A joint venture with Yokogawa Electric Corporation, offers multi-vendor rental services for measuring instruments and IT equipment. Because it is one of the companies with the largest stock of equipment in the industry, it can respond quickly to the needs of customers.

NOC Outsourcing & Consulting Inc.

NOC Outsourcing & Consulting offers high quality business process outsourcing (BPO) services to customers. The Company provides customers with support to increase their work efficiency and to reduce costs in human resources, accounting, administrative, back office, and IT operations.

Aqua Art Co., Ltd.

Aqua Art operates a rental business for tropical fish tanks, which replicate the natural environment. Aquariums with tropical fish and aquatic plants are offered under a comprehensive maintenance system.

MerryBiz Inc.

MerryBiz offers professional accountants from across Japan who handle accounting tasks remotely and online as "virtual accounting assistants."

Overseas Group Companies

Fuyo General Lease (USA) Inc.

Based in New York and Los Angeles, Fuyo General Lease (USA) Inc. provides financial services to customers located in the Americas.

Fuyo General Lease (Taiwan) Co., Ltd.

Fuyo General Lease (Taiwan) Co., Ltd. provides financial services to companies expanding into Taiwan.

TDF Group Inc

Based in Canada, TDF Group Inc. engages in rental, leasing, and sales of pickup trucks in North America.

Fuyo General Lease (China) Co., Ltd.

Based in Shanghai, Fuyo General Lease (China) Co., Ltd. offers leases to companies expanding their businesses into China.

Fuyo General Lease (Thailand) Co., Ltd.

Fuyo General Lease (Thailand) Co., Ltd. provides financial services to companies expanding into Thailand.

Pacific Rim Capital, Inc.

Pacific Rim Capital, Inc. handles operating leases for material handling equipment in the US, Canada, Mexico, and Europe.

Fuyo General Lease (HK) Limited

Fuyo General Lease (HK) Limited provides financial services to companies expanding into East Asia except for Japan.

FGL Aircraft Ireland Limited

Based in Dublin, FGL Aircraft Ireland Limited offers aircraft leases to airlines in Europe and Asia.

Fuyo General Lease (Asia) Pte. Ltd.

Fuyo General Lease (Asia) Pte. Ltd. provides financial services to companies expanding into Southeast Asia.

Aircraft Leasing and Management Limited

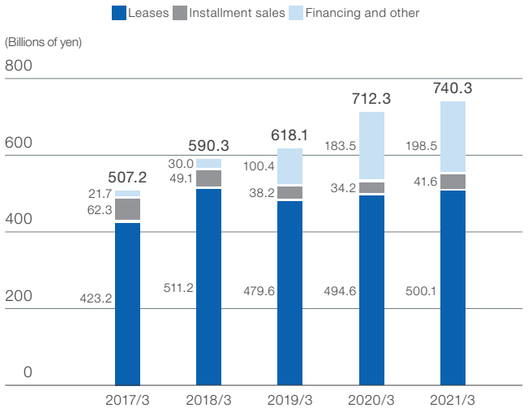
Aircraft Leasing and Management Limited provides comprehensive aircraft services including aircraft lease marketing, aircraft management, post-lease aircraft sales, and advisory services.

Financial Highlights

Net sales

740.3 billion yen

(+3.9% year on year)



Net sales continued to increase due to the expansion of the Group, reaching a record high of 740.3 billion yen (up 3.9% year on year). Strengthening Strategic Areas such as BPO services and Mobility Business contributed significantly to the increase in the growth of net sales.

Ordinary profit/Profit attributable to owners of parent

Ordinary profit

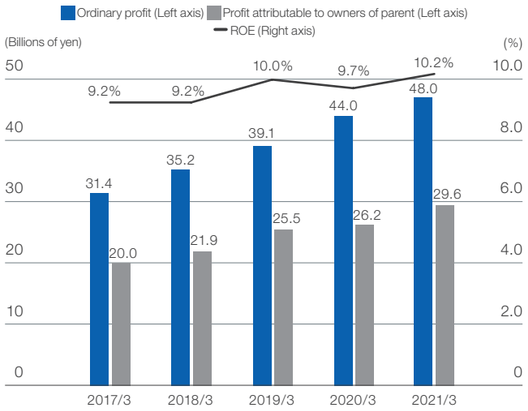
48.0 billion yen

(+9.0% year on year)

Profit attributable to owners of parent

29.6 billion yen

(+12.9% year on year)



Ordinary profit was 48.0 billion yen (up 9.0% year on year), profit attributable to owners of parent was 29.6 billion yen (up 12.9% year on year), and ordinary profit and profit attributable to owners of parent reached record highs for the fourth and sixth consecutive years respectively. The accumulation of operating assets centering on Strategic Areas and the growth of the Finance business contributed significantly to the growth of ordinary profit and profit attributable to owners of parent.

Operating assets/ROA

Operating assets

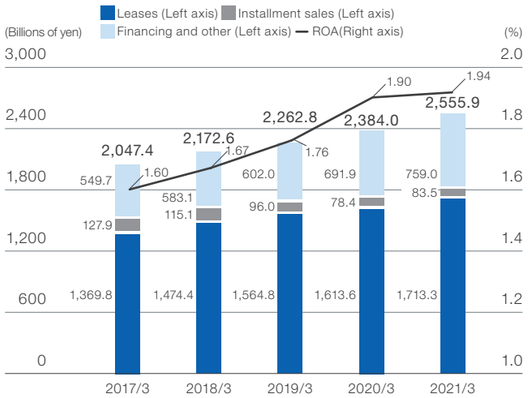
2,555.9 billion yen

(+7.2% from the end of previous FY)

ROA

1.94%

(+0.04 points from the end of previous FY)



Operating assets was 2,555.9 billion yen (up 7.2% from the end of previous fiscal year) and has increased for 11th consecutive years due to the accumulation of assets in Strategic Areas, centering on Energy & Environment and Real Estate businesses. ROA has improved for fourth consecutive years to 1.94% (up 0.04 points from the end of previous fiscal year) due to the replacement of assets with high profitability.

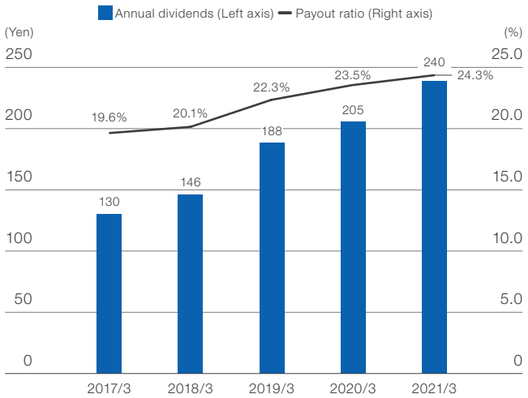
Annual Dividends/Payout Ratio

Annual dividends

240 yen

Payout ratio

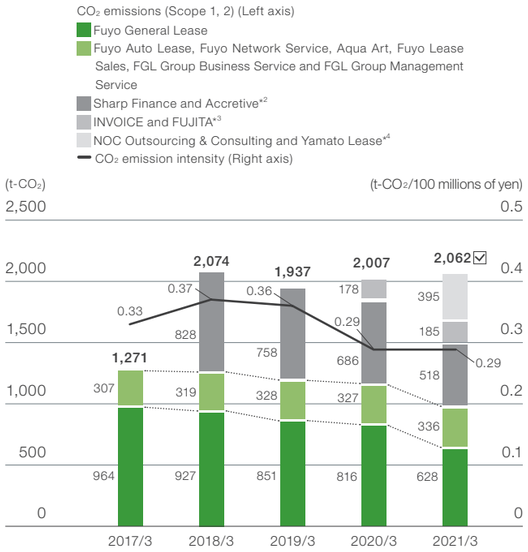
24.3%



The Fuyo Lease Group has a basic policy of working to distribute profits to shareholders by continuing to pay stable dividends over the long term. The annual dividends for the fiscal year ended March 2021 was 240 yen, the consecutive dividend increase since the company went public in 2004. As for the payout ratio, it has also increased for sixth consecutive years, achieving a record high of 24.3%.

Non-Financial Highlights

CO_2 Emissions (Scope 1, 2)*1/CO_2 Emission Intensity



Since the fiscal year ended March 2018, CO_2 emissions have increased due to the increase in the group companies. However, CO_2 emission intensity has maintained a downward trend as a result of thorough energy conservation activities throughout the Group.

*1 Scope 1: Direct emissions from the use of fuel for company vehicles, city gas, etc.
Scope 2: Indirect emissions from the use of purchased electricity, etc.
*2 Added after the fiscal year ended March 2018.
*3 Added after the fiscal year ended March 2020.
*4 Added after the fiscal year ended March 2021.

Renewable energy power generation capacity (output)/ Power Supplied/CO_2 Reduction (estimation)

Renewable energy power generation capacity (output)

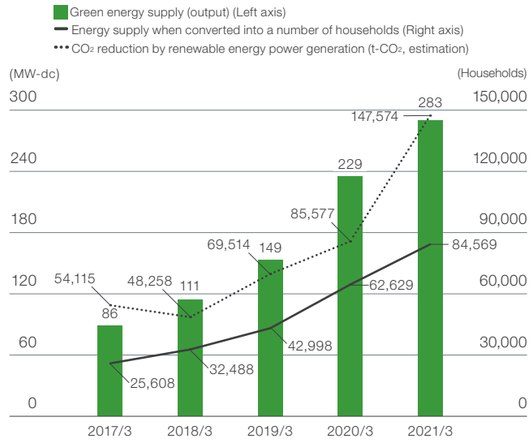
283 MW-dc*1

Power supplied Equivalent to approximately

85,000 households*2

CO_2 reduction (estimation)

147,574 t-CO_2

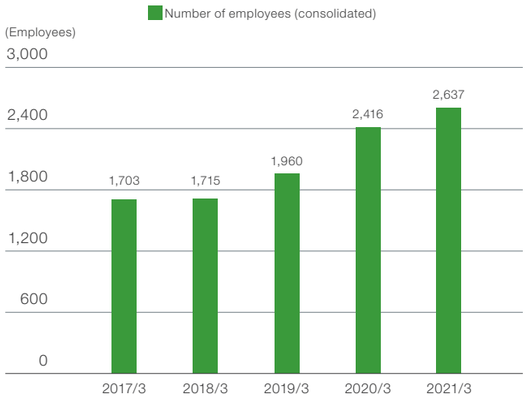


The renewable energy power generation business made steady progress. In fiscal 2020, we also invested in renewable energy funds overseas, including in Taiwan and the United States, and the total output reached 283 MW-dc.

*1 Total of figures of own group business and those corresponding to equity investment share
*2 Calculated based on elecricity consumption pf 3,600 kWh/year per household.

Number of Employees (consolidated)

2,637 Employees



The number of employees continues to increase as the Group expands. As we work to enhance the value of our corporate group, we focus on developing human resources with an emphasis on making our company a better workplace so that all of our employees can realize their full potential as they hone their professional skills.

Percentage of Female Employees in Management Positions (non-consolidated)

Percentage of female employees in management positions

25.1%

Employee Satisfaction Survey (consolidated)

Job satisfaction*

85.4%

* Percentage of employees who rated at least one out of six job satisfaction questions as four or above (on a scale of one to five) in the Employee Satisfaction Survey

Percentage of Outside Directors and Outside Corporate Auditors (non-consolidated)

42.9%

(Six out of 14 directors and corporate auditors are outside directors and outside corporate auditors.)

Value Creation Story

The Fuyo Lease Group finds risks and opportunities from social changes and issues,and is motivated to solve the issues by providing various solutions.
Drawing on our distinctive resources and strengths, our group's value creation story aims to go beyond our stakeholders' expectations by increasing our corporate value and creating sustainable value in the society.

Changes and Issues in Society

Social environment

- Diversification in values
- Adapting to technological innovations
- Development of an information society
- Declining birthrate and aging population

Natural environment

- Intensification of climate change
- More frequent natural disasters
- Acceleration of resource depletion

Economic environment

- Fluidization and multi-polarization of the world economy
- Changes in the interest rate environment
- Progression of corporate globalization
- Changes in accounting standards

Resources and Strengths

Financial

Operating assets that form the foundations for creating added value
Operating assets: ¥ 2,555.9 billion

Stable financial base and core capital
Net assets: ¥ 344.8 billion

Non-financial

Extensive domestic and overseas network
20 domestic companies and 106 business locations
11 overseas companies and 12 business locations in 8 countries

Relationships with customers in a variety of industries

Human resources that possess highly specialized expertise and extensive know-how
2,637 group employees

Inter-Group collaboration that produces new solutions
Ratio of group companies in consolidated net sales
34.2% (FY ended Mar. 2017)
→ 54.3% (FY ended Mar. 2021)

Active investment and support for venture companies
Number of M&A and capital alliances since Apr. 2017: 24 P38

Fuyo Lease Group's Core Businesses

Strategic Areas

- Real Estate P30
- Medical & Welfare P31
- Energy & Environment P32
- Aircraft P33
- Overseas P34

New Domains

- BPO P35
- Mobility Business P36
- New Domains P37

Core Areas

- Domestic Corporate P39
- Vendor Leases P39
- Finance P39

Contributing to the Solution of Social Issues

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING · 5 GENDER EQUALITY · 7 AFFORDABLE AND CLEAN ENERGY · 8 DECENT WORK AND ECONOMIC GROWTH · 11 SUSTAINABLE CITIES AND COMMUNITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

CSV (Creating Shared Value) between the Company and Society

Corporate Value (Financial)

Consolidated Management Goals

	FY 2020 Results	Medium-Term Management Plan Target (FY2021)
Operating assets	¥2,555.9bn	¥2,500.0bn
Ordinary profit	¥48.0bn	¥50.0bn
ROA	1.94%	2.0%

Real Estate
Operating assets for real estate leasing
¥555.2bn

Medical & Welfare
Operating assets for Medical & Welfare
¥95.1bn

Energy & Environment
Renewable energy power generation business
Output 283MW-dc*1

Aircraft
Operating assets for Aircraft leasing
¥148.4bn

Overseas
Overseas operating assets
¥97.4bn*2

BPO
Ordinary profit of core companies in BPO services
¥6.2bn*3

New Domains
Acquired of Nihon Credit Lease as a subsidiary, invested in THINKCYTE, Tsubame BHB, A.L.I. Technologies, TELEXISTENCE, CB Holdings, etc.

Domestic Corporate Finance/Vendor Leases
Operating assets for leasing
¥1,713.3bn*4

Finance
Operating assets for financing
¥725.7bn*4

Social Value (Non-financial)

Environment

Group CO_2 emissions
2,062 t-CO_2 (FY2020)

CO_2 emissions reduction (estimated)
147,574 t-CO_2 (FY2020)

Reuse and recycle rate for leased assets
PC 100%
Other than PC 93%

Society and People

Support for business efficiency improvement and work style reform by providing BPO services

Total number of companies provided*5
19,353 companies

Contributing to people's mobility through aircraft leasing

Transportation capacity
Approx. 11 million people/year

Fuyo Lease Group Materiality P15

Systems that Support Sustainable Value Creation

- Human Resources Management Strategy P43
- Risk Management P54
- Corporate Governance P49
- Compliance System P56

*1 Total of figures of own group business and those corresponding to equity investment share
*2 Operating assets of overseas subsidiaries (excluding aircraft leases) plus investments in overseas affiliate businesses
*3 INVOICE, Accretive, and NOC(NOC Outsourcing & Consulting, NOC Techno-Solutions, and NOC Biz Partners)
*4 Operating assets of the entire Fuyo Lease Group
*5 Number of companies served by Sharp Finance, Accretive, INVOICE, NOC Outsourcing & Consulting, and MerryBiz.

Materiality

In order to realize a sustainable society, the Fuyo Lease Group has identified issues to be solved through the Group's businesses as Material Issues (important issues to be addressed), taking into consideration their impacts on society and stakeholders with reference to the SDGs proposed by the United Nations. We will contribute to creating a prosperous and sustainable society by enhancing shared values between society and companies through our efforts along with identified Materiality.

STEP 1 Identifying Issues
Based on the SDGs and ESG indexes, we identify issues which could influence our Group.

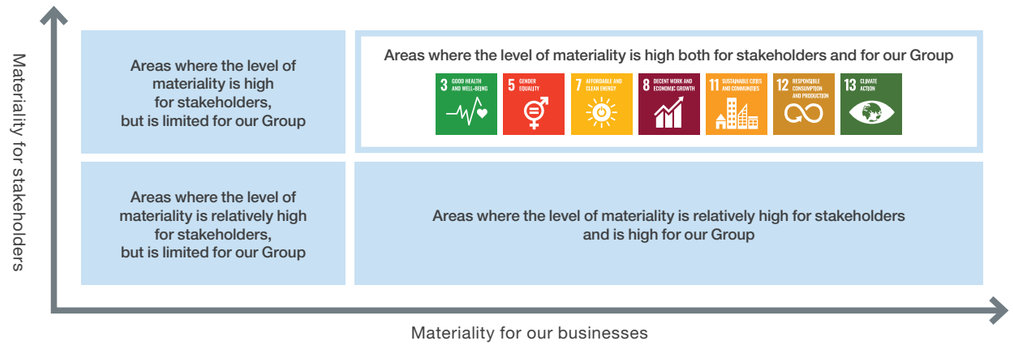
STEP 2 Assessing Materiality from the Stakeholders' Point of View
We assessed materiality of the issues identified in Step 1 from the viewpoint of investors and other stakeholders

STEP 3 Assessing Materiality for our Business Operations
We assessed materiality of the issues identified in Step 1 considering our business based on our Medium-term Management Plan, Code of Corporate Conduct and other guidelines.

STEP 4 Identifying Priority Issues
Following Steps 2 and 3, we identified priority issues. Top management approved the identified priority issues.

Materiality for Fuyo Lease Group

Following the Materiality identification process shown to the left, we identified Goal 3, 5, 7, 8, 11, 12, and 13 as the most important strategic goals



KPIs and Targets of Materiality (Creation of Shared Value through Business Activities)

		Material Issues (Materiality)	Themes of Initiatives	KPIs	Results and Plan (Output) FY 2020 Results	Results and Plan (Output) FY 2021 Targets	Contributing to Society and the Environment (Outcome)	Relevant Pages	Relevant SDGs
Social Value	Environment	Responding to climate change issues and renewable energy	Expand supply of renewable energy	Supplying green energy through the renewable energy power generation business (power generated)	283MW-dc*1	200MW-dc (Achieved)	Estimated CO_2 reduction 147,574 t-CO_2 [FY2020]	CSV1(P19) Energy & Environment (P32)	7, 13
			Convert power consumed by the Fuyo Lease Group into renewable energy	Setting targets and promoting the use of renewable energy in business operations	1%	2024 target: 50% 2030 target: 100%	Promoting the use of renewable energy and communicating demand voices to the market		
			Provide support for the wider use of renewable energy through the provision of financial services	Transaction volume under the "Fuyo 100% Renewable Electricity Declaration Support Program" and the "Fuyo Zero Carbon City Support Program"	¥2.64 billion	2024 target: ¥5.0 billion	Number of companies and organizations using the programs: 114 (October 2019-March 2021)		
				Operating assets of the Energy & Environment businesses	¥85.0 billion*2	¥41.0 billion (Achieved)	Promoting renewable energy and energy saving		
			Promote cutting-edge renewable energy-related technologies	Offering support to renewable energy-related technology venture companies	Capital and business alliance with Tsubame BHB Co., Ltd.	Support sales of new technologies and products and provision of new services	Disseminating advanced renewable energy-related technologies		
		Contributing to the creation of a circular society	Reduction and proper disposal of waste through the 3Rs (reduce, reuse, and recycle) for leased assets	Reuse and recycle rate for returned PC	PC: 100% Other than PC: 93%	PC: 100% Other than PC: 95%	Reducing waste and promoting a circular society	CSV2(P21)	12
				Ensure proper disposal of waste	Proper disposal of all waste (zero violations of environmental laws, etc.)		Reducing our environmental impact by ensuring proper disposal of waste		
	Society and People	Promoting health and wellbeing	Expand access of medical, elderly nursing care, and welfare services	Operating assets of Medical & Welfare businesses	¥95.1 billion	¥95.0 billion (Achieved)	Improving both quantity and quality of medical, elderly nursing care, and welfare services	CSV5(P27) Medical & Welfare (P31)	3
			Support medical institutions with their management	Balance of factoring for medical and nursing care receivables (balance of FPS Medical by Accretive)	¥20.3 billion	¥30.0 billion [2021]	Helping medical institutions to achieve financial stability by meeting their funding needs		
			Promote cutting-edge healthcare technologies	Offering support to medical venture companies	Capital and business alliances with THINKCYTE, Inc. and CB Holdings, Inc.	Support sales of new technologies and products and provision of new services	Disseminating advanced medical technologies		
		Developing safe and livable cities and providing transportation	Promote environmentally and socially friendly urban scape and residential space	Operating assets of real estate leases (Commercial facilities, hotels, distribution facilities, nursing care facilities, residential facilities, etc.)	¥555.2 billion	¥530.0 billion (Achieved)	Supplying environmentally and socially friendly assets	CSV4(P25) Real Estate(P30) Aircraft(P33)	11
			Contribute to expanding the volume of safe, inexpensive, and fast transportation	Number of aircraft owned by the Group	44 aircraft	—*3	Transportation capacity: 11 million people*4 per year [FY 2020]		
		Achieving economic growth and fulfilling work	Improve management efficiency, overcome labor shortage, and address work-style reform	Number of companies provided BPO services by five BPO companies*5	19,353 companies	20,000 companies	Contributing to the resolution of labor shortages and the promotion of work-style reform by providing BPO services	CSV3(P23) BPO(P35)	8
System that Support Sustainable Value Creation		Diversity and work-style reform	Empower women in workplaces and develop human resources with diverse strengths	Percentage of female employees in management positions (non-consolidated)	25.1%	30% or more	Ensuring that female employees can realize their full potential in the workplace	Human Resource Management Strategies for Value Enhancing (P43)	5, 8
				Percentage of new female employees hired (non-consolidated)	52.6%	40% or more			
			Improve work-style to pursue efficiency and productivity	Rate of taking annual paid leave (non-consolidated)	72.0%	80% or more	Improving work-style to pursue efficiency and productivity		
			Promote work-life balance	Telecommuting utilization rate*6	76.7%	40% or more	Promoting a balance between work and family		
			Improve job satisfaction	Rate of job satisfaction*7 (consolidated)	85.4%	Steady improvement	Increasing productivity and added value by enhancing job satisfaction		

*1 The calculation method for power generated was changed from fiscal 2020 to include investment projects (calculated in proportion to investment share).
*2 The calculation method for operating assets was changed from fiscal 2020 to include the renewable energy generation business.
*3 The target has been withdrawn due to the impact of the COVID-19 pandemic in fiscal 2020 (original target: 70 aircraft <fiscal 2021>)
*4 Calculated using the method employed prior to the spread of COVID-19
*5 Sharp Finance, Accretive, INVOICE, NOC Outsourcing & Consulting, and MerryBiz.
*6 Percentage of employees who have been provided with home PCs to establish telecommuting environments and have telecommuted from home at least once
*7 Percentage of employees who rated 4 or above (on a scale of 1 to 5) for at least one job satisfaction question out of 6 in the Employee Satisfaction Survey

Medium-term Management Plan (FY2017-FY2021)

Vision

Frontier Expansion 2021

"Go where no one has gone before"

Aiming to be a corporate group that moves into uncharted business and continues to expand the frontier

Overview of Strategies and Goals

The Fuyo Lease Group aims to achieve strong sustainable growth amid the significantly changing business environment surrounding the domestic leasing business by fulfilling the corporate slogan of "Go where no one has gone before," and by constantly challenging new business fields and business models in order to expand the frontier of our business portfolio. (Profit model shown below.)

Target Performance Indicators

	2018/3	2019/3	2020/3	2021/3	2022/3 (Target Value)
Operating Assets	2,172.6 billion yen	2,262.8 billion yen	2,384.0 billion yen	**2,555.9 billion yen**	**2,500.0 billion yen**
Ordinary Profit	35.2 billion yen	39.1 billion yen	44.0 billion yen	**48.0 billion yen**	50.0 billion yen
ROA	1.67%	1.76%	1.90%	**1.94%**	2.0%

Business Strategy

Strategic Areas: Real Estate, Medical & Welfare, Energy & Environment, Aircraft, Overseas, BPO, Mobility Business, New Domains

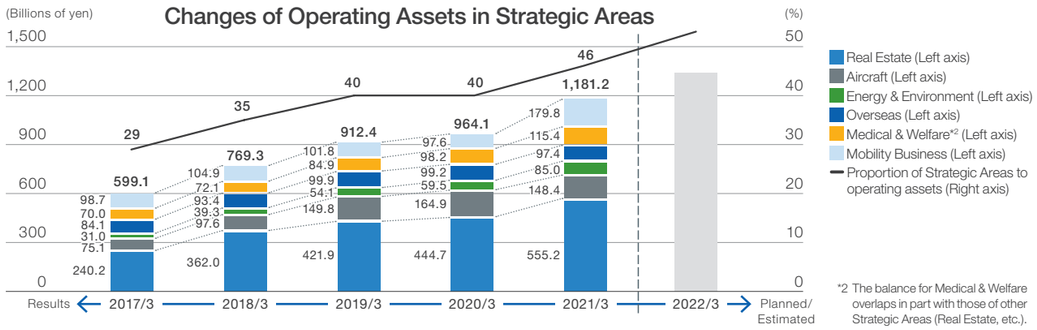
Three Strategic Axes:
- 01 Selection and Concentration in Strategic Areas
- 02 Challenge the Frontier
- 03 Pursue Group Synergies

Core Areas: Domestic Corporate / Vendor Leases / Finance

Management Strategy*1

*1 Strategies to strengthen the management foundation which supports the execution of business strategies.

Changes of Operating Assets in Strategic Areas



*2 The balance for Medical & Welfare overlaps in part with those of other Strategic Areas (Real Estate, etc.).

Key Performance Indicators and Progress

At Fuyo Lease Group, our three management indicators are operating assets, ROA (ordinary profit on operating assets) and ordinary profit, and we have set targets for the fiscal year ending March 2022, which is the final year of this five-year Medium-term Management Plan, as well as interim goal values for the fiscal year ending March 2020, which is the third year of the plan. Last year, the Group posted strong results against the interim goals set in the fiscal year ended March 2020, and in the fiscal year ended March 2021, the fourth year of the plan, we succeeded in achieving our final-year goal for operating assets of ¥2,500 billion ahead of schedule. ROA and ordinary profit have also grown steadily, and we recorded ROA of 1.94% and ordinary profit of ¥48.0 billion in the fiscal year ended March 2021. Contributing to these results were our acquisition of YAMATO LEASE as a consolidated subsidiary in the Mobility Business, an increase in operating assets through growth in real estate leases, replacement of portfolio businesses with highly profitable assets, and growth in the finance business. We will continue advancing our business activities in the fiscal year ending March 2022, the final year of the Medium-term Management Plan, in order to achieve our management targets.

Frontier Expansion 2021 is comprised of a business strategy centered on the business promotion side and of a management strategy centered on bolstering the management foundation that supports the business strategy.

Business Strategy

After establishing six Strategic Areas and three core areas of focus, we have formulated individual strategies and policies in the focus areas.

Strategic Areas

Real Estate | Medical & Welfare | Energy & Environment | Aircraft | Overseas | New Domains (BPO, Mobility Business)

Areas positioned as growth drivers and designated for concentration of management resources

Core Areas

Domestic Corporate | Vendor Leases | Finance

Areas designated for market (customer base) maintenance and expansion through efficient sales operations such as intra-Group collaboration

Management Strategy

The following have been established as strategies to strengthen the management foundation that supports the execution of business strategies.

- **Bolster ability to address new risks in conjunction with the frontier expansion**
- **Strengthen corporate functions and boost productivity**
- **Enhance the governance system in order to demonstrate Fuyo Lease Group's capabilities**

Three Strategic Axes

Keeping our focus concentrated on the Three Strategic Axes of our business and management strategies, we aim to achieve the targets set in Frontier Expansion 2021.

01 Selection and Concentration in Strategic Areas

We have positioned Strategic Areas expected to be the biggest drivers of profit growth, and are focusing management resources on these areas. As a result, we have achieved continuous improvement in ROA by expanding business domains such as BPO and the Mobility Business while accumulating high-quality operating assets in areas such as Energy & Environment and Real Estate. Leveraging the Medium-term Management Plan's achievements, we will work to diversify earnings and expand business domains by spurring growth in Strategic Areas.

Results in FY 2020

Real Estate Medium-term targets achieved ahead of schedule with growth in real estate for diverse applications, including logistics facilities and others, through a broad range of alliances.

Medical & Welfare Expanded line of services and customer base through collaborations with medical device manufacturers and other highly specialized partner companies.

Energy & Environment Strengthened overseas business through alliances, including the solar power generation business in Texas and investments in renewable energy funds.

Aircraft Aggressive expansion of part-out business and other peripheral aircraft businesses beyond aircraft leasing.

Overseas Network expansion in the Asia region, including establishment of a local base in Taiwan and shift of the local base in Thailand to focus exclusively on leasing.

BPO Major increase in contracts through Group cooperation. In addition to OneVoice (public utility charge collection service), the lineup has been expanded to include Smart Benefits.

Mobility Business Strengthened the system for collaborating with partners to provide consulting on solutions to logistics issues and offer a wide range of solutions.

02 Challenge the Frontier

In addition to seeding and nurturing the seeds for the expansion of the frontier, we have pushed ahead with initiatives such as proactive M&As, capital and business alliances. As a result, we have achieved growth in businesses that lie at the core of the New Domains, such as BPO and Mobility Business, as we have successfully established collaborative relationships with companies that possess unique technologies and expertise. Looking ahead, we will strengthen businesses in the New Domains so that they will serve as new drivers of profit growth. Concurrently, we will further implement the CSV approach to address social priorities such as tackling the problem of climate change, promoting the circular economy, and improving the productivity of companies, as we expand new business domains.

Results in FY 2020

To expand frontiers, made proactive investments primarily in companies related to Strategic Areas, including R&D-focused startups and venture funds.

Energy & Environment Entered into a capital and business alliance with Tsubame BHB Co., Ltd., which is developing a system for on-site ammonia production.

Aircraft Purchased engines for Part-Out. Invested in Airbus Ventures Fund III LP, which invests in venture companies in the aerospace field.

Mobility Business Added YAMATO LEASE as a consolidated subsidiary. Invested in A.L.I. Technologies Inc., which is developing and commercializing industrial drone services and the air mobility business.

Circular Economy Joined the UK's Ellen MacArthur Foundation as a member. As a lease company that handles a wide variety of things, aiming to build a new business model for realizing the circular economy.

03 Pursue Group Synergies

By organically linking the functions and customer bases of group companies, we have strengthened our systems to flexibly and swiftly provide solutions that meet the diverse needs of our customers on a group-wide basis. Moreover, with the relocation of the group head office in June 2020, the business sites of group companies have been consolidated, fostering even closer collaboration between group companies. We will continue to accelerate business development on a group-wide basis. By doing so, we will push forward with the expansion of new business domains that go beyond existing frameworks, along with working to maximize group synergies.

Results in FY 2020

Real Estate Promoted Sharp Finance's real estate leases for medical, childcare and nursing care facilities by leveraging Fuyo Lease's know-how in the Real Estate and Medical & Welfare areas.

Medical & Welfare Made Nihon Credit Lease a consolidated subsidiary in April 2021. Through group collaboration, the balance of Accretive's FPS Medical has increased steadily.

Energy & Environment Started providing the Fuyo Zero Carbon City Support Program by Fuyo Lease and Fuyo Auto Lease. Promoted the leasing and financing of renewable energy facilities, energy-saving equipment, and electrified vehicles.

BPO Consolidated subsidiary INVOICE saw contract volume increase 40% year on year thanks to expanded sales leveraging Group collaboration.

Mobility Business Made YAMATO LEASE a consolidated subsidiary in April 2020, strengthening the Group collaboration system for solving issues by providing integrated solutions in the logistics field.

Others A subsidiary that consolidates human resources and general affairs operations of group companies, has been newly established, and the operations have been streamlined by promoting "common office work" and "effective use of group resources."

Long-Term Approach

We see Creating Shared Value (CSV) as one of our management decision criteria. By putting our corporate slogan of "Go where no one has gone before" into practice, we are committed to contributing to the building of a sustainable society and increasing our corporate value, with the focus on the lease and financing business.

CSV 1 Energy & Environment

Promoting Decarbonization with Customers and Contributing to Solve Climate Change Issues

Senior Managing Director
Soichi Hosoi

The Fuyo Lease Group's Initiatives to Address Climate Change Issues

Since the 2015 adoption of the Paris Agreement, initiatives toward decarbonization have advanced worldwide, and in October 2020, Japan clearly set forth a policy of achieving virtually zero CO_2 emissions by 2050. Measures to address climate change will likely accelerate further going forward.

The Fuyo Lease Group believes that we must start by taking the initiative to reduce greenhouse gases ourselves, and in 2018, we became the first Japanese comprehensive leasing company to join RE100, an international initiative that aims to convert all electricity consumed in business activities to renewable energy. Since participating in RE100, the Group has set a target of 100% renewable energy use by 2050 and 50% by 2030, but we have now decided to work to achieve RE100 by 2030 and carbon neutrality by 2030 as well.

Because we have been tenants at most of our sites to date, our inability to negotiate directly with electric power companies themselves has been a major barrier to achieving the goal of renewable energy. At our head office, we worked with Sumitomo Realty & Development Co., Ltd., the building's owner, to create a new scheme allowing tenant companies to also make use of renewable energy. In April 2021, electricity used by the Group in the building switched to renewable energy, as we work to advance efforts to increase the percentage of renewable energy use.

In 2019, we also endorsed the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, and we are preparing to analyze the financial impact of climate change on the Group and disclose that information.

Toward the Achievement of Decarbonization for Society and Our Customers

We believe that contributing to the decarbonization of society as a whole through our business is an important issue for the Group, which engages in a wide range of business fields and has a broad customer base, and we are actively promoting initiatives based on the three pillars: "Renewable Energy Generation Business," "Promoting Renewable Energy-Related Infrastructure," and "Investment in and Commercialization Support for Renewable Energy-Related Technologies."

Overview of Efforts to Convert to Renewable Energy

RE100 CLIMATE GROUP | CDP — Participation in RE100 and promotion of conversion to renewable energy

1 Use of renewable electric power — Use of 100% renewable energy for electric power consumed by the Group — 2024 target: 50%, 2030 target: 100%

2 Renewable energy business — Contributing to the promotion of a decarbonized society through business (three pillars)

Renewable energy generation business	Promotion of renewable energy-related infrastructure	Investment in and commercialization support for renewable energy-related technologies
Contributing to local communities through the development of renewable energy power plants	Promotion of renewable energy-related infrastructure through a broad customer base	Seeking investments and business alliance approaches to create new business opportunities

1 Renewable Energy Generation Business

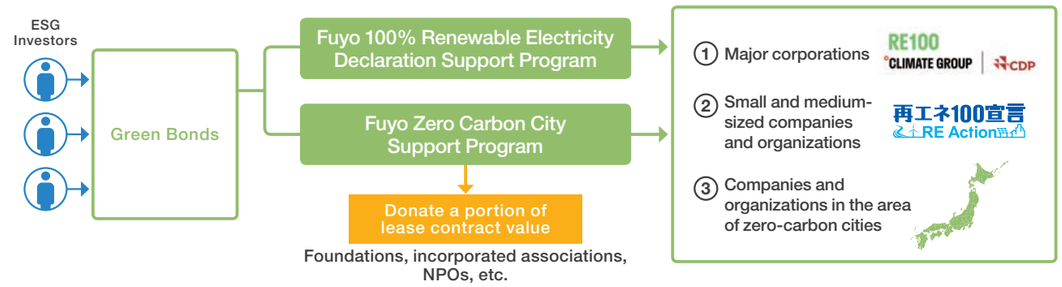
We launched our renewable energy power generation business in 2012, and now supply renewable energy to communities equivalent to the annual power consumption of approximately 85,000 households. Additionally, in fiscal 2020 our participation in wind power generation projects in Japan and renewable energy power generation projects in the U.S. and Taiwan increased the Group's power generation capacity, including equity participation, to 283 MW-dc. Going forward, we will continue to expand the business through joint development with alliance partners, overseas expansion through joint investments, and through acquisition of solar secondary projects.*1

2 Promoting Renewable Energy-Related Infrastructure

We offer two programs that provide financial support to companies and organizations working toward decarbonization: the Fuyo 100% Renewable Electricity Declaration Support Program, and the Fuyo Zero Carbon City Support Program.

The Fuyo 100% Renewable Electricity Declaration Support Program, begun in 2019, is a preferential financing program for businesses and organizations that have joined RE100 and the 100% Renewable Electricity Declaration RE Action.*2 Using funds raised by the Company through green bonds, the program is aimed at encouraging the introduction of renewable energy facilities and energy-efficient equipment.

In addition, the Fuyo Zero Carbon City Support Program, newly launched in 2020, is a donation-built-in program open to all companies, organizations and local governments. Along with customers who install facilities and equipment that contribute to decarbonization in areas of municipalities that have declared themselves zero-carbon cities*3, the program donates an amount equivalent to 0.2%*4 of the value of lease contracts to organizations that contribute to promoting zero-carbon cities. The program is being promoted not only in the Tokyo metropolitan region, but throughout Japan in cooperation with many regional financial institutions, and more than 100 customer companies have applied for the program in the first six months since its launch.



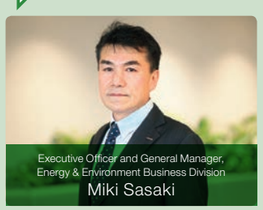
3 Investment in and Commercialization Support for Renewable Energy-Related Technologies

The Fuyo Lease Group actively invests in and forms business alliances with venture companies that have advanced renewable energy-related technology, and supports their commercialization. In fiscal 2018, we formed capital and business alliances with Exergy Power Systems Inc., which develops and manufactures next-generation energy storage systems, and with NExT-e Solutions Inc., which provides battery management systems that utilize advanced battery control technologies. In fiscal 2019, we entered into a capital and business alliance with Girasol Energy Inc., which is developing an IoT platform for the maintenance and management of solar power facilities.

Further, in fiscal 2020, we closed a capital and business agreement with Tsubame BHB Co., Ltd., which is working to develop and commercialize the world's first on-site ammonia production system (P37). In recent years, ammonia has gained attention as a next-generation energy source that does not emit CO_2 when combusted, and as an energy carrier*5 that facilitates the transport and storage of hydrogen. The Fuyo Lease Group aims to contribute to a decarbonized society by supporting the company's business development.

Through our support for venture companies, we will continue working to promote the spread of renewable energy and the creation of new business opportunities.

VOICE



Executive Officer and General Manager, Energy & Environment Business Division
Miki Sasaki

As a decarbonization support tool for our customers, we are developing our PPA*6-based Green Electricity Supply Services. Going forward, we will promote an off-site PPA initiative utilizing idle land, etc. to supply green electricity directly to customer power demand sites. Further, as the movement toward decarbonization is accelerating globally, we will actively work to expand our renewable energy power generation and electric power infrastructure businesses overseas as well, primarily in North America, Asia and Europe.

As we continue working to build a sustainable society, we will promote renewable energy ourselves while creating a variety of businesses that contribute to the spread of green energy and supporting our customers' efforts toward decarbonization management.

*1 Solar secondary projects: In solar power generation, refers to the business of trading in already-operating power plants and the rights to sell electricity.
*2 100% Renewable Electricity Declaration RE Action: Established in October 2019. An initiative for small- and medium-sized companies, organizations, and municipalities not covered by RE100 to declare that they will convert the electricity consumed in their business activities to 100% renewable energy.
*3 Zero-carbon cities: A local government in which the head of the government or the municipality itself has announced an aim to achieve virtually zero emissions of greenhouse gases or carbon dioxide by 2050.
*4 Fuyo Lease will contribute 0.1% of the program's contracted amount, topped up with an additional amount equivalent to 0.1% in its own funds.
*5 Energy carrier: Refers to hydrogen that has been converted into a state or substance that is easy to transport and store.
*6 PPA: An abbreviation for Power Purchase Agreement. The PPA provider installs, operates and maintains solar power generating equipment on the premises of the electric power consumer free of charge. The power generated is then purchased by the electric power consumer. This has the advantage of eliminating the need for an initial investment on the part of the power consumer, while enabling them to implement environmental measures in a sustainable manner.

CSV 2 Circular Economy

Contributing to Society as a Whole by Becoming a Platformer for the Circular Economy

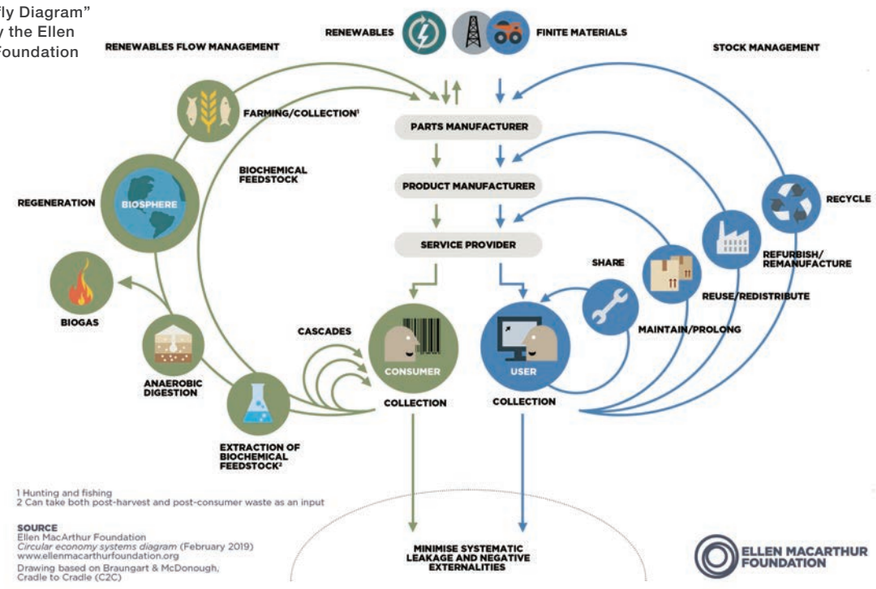
Managing Executive Officer
Hiroaki Ando

Behind the Focus on the Circular Economy

The conventional economic model of "taking, making, and throwing away" is called the "linear economy" because resources are disposed of in a linear fashion without being recycled or reused. It is said that it is difficult to achieve sustainable economic development in a linear economy because of its various negative impacts, such as the large amount of waste generated, the depletion of finite natural resources and soaring prices, and the impact of greenhouse gas emissions on climate change. The circular economy has thus become the focus of attention as a new economic model for solving these issues.

The circular economy offers an alternative to the conventional linear economy, an economic model that reexamines the entire value chain with the goal of maintaining and circulating the value of products and resources for as long as possible, while working toward zero waste emissions. The manufacturing process uses a great deal of energy and emits CO_2. This is particularly true of the process of mining and refining metals and other natural resources, and of the manufacturing process for steel and concrete, all of which are said to involve large amounts of energy use and CO_2 emissions. According to estimates by the Ellen MacArthur Foundation, CO_2 emissions related to this kind of manufacturing and the production of food are said to represent about 45% of overall CO_2 emissions. The circular economy, which cuts off these sources, is a new economic model essential to advancing a decarbonized society.

"The Butterfly Diagram" Proposed by the Ellen MacArthur Foundation

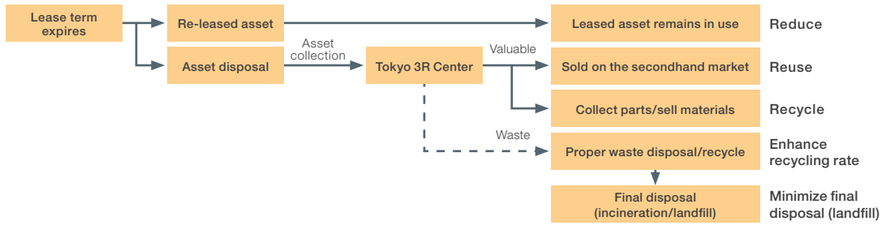


Environmental Conservation Initiatives to Date

Under our Environmental Policy, the Fuyo Lease Group has been working to incorporate the 3Rs (Reduce, Reuse, Recycle) in disposing of leased assets after their leases expire in an effort to reduce the environmental impact of our business activities.

At the Tokyo 3R Center, which is responsible for reusing and recycling leased assets after their leases expire, we reuse and recycle not only items leased by our corporate group, but also used assets we have bought from other companies. Beyond proper compliance with applicable laws and regulations, as a waste generating business operator, we track every piece of waste we dispose of through an electronic manifest system. We also conduct regularly scheduled on-site inspections of waste disposal contractors, part of our effort to prevent the generation of environmental pollution.

3Rs initiatives for leased assets after their leases expire



New Initiatives Toward the Circular Economy through the Lease Business

In April 2020, the Group launched its "Circular Economy Domain" as a business domain to evolve its existing environmental conservation efforts, and is advancing circular economy initiatives through its leasing business. Achieving the circular economy will require a diverse range of functions, and we believe that this is an issue we are uniquely positioned to solve, with our vast lease resources and accumulated know-how in proper disposal.

For example, Fuyo Lease reuses and recycles 100% of the more than 100,000 PCs returned to it each year, thereby minimizing waste. This is made possible by the Group's strong information security system and reliable data erasure, as well as its diverse sales channels, which allow us to sell even old PCs that have been used for nearly 10 years. In addition, office automation equipment such as printers, which are difficult to resell, would otherwise become industrial waste with no value, but by dismantling and sorting them by material, we can convert them into raw materials such as recycled plastic. In fact, in 2020 Fuyo Lease began a pilot program for material recycling*1 of printers and other equipment.

In the future, we aim to work in cooperation with our business partners to reduce industrial waste derived from information and office equipment to zero.

Material Recycling Flow

Returned printers → Dismantle and sort → Pelletize

*1 Material recycling: The process of crushing and processing used plastics, pelletizing them by heat treatment, and reusing them as resin material for plastic products.

A "Platformer" for the Circular Economy

The number of new services aimed at achieving the circular economy are gradually expanding. In April 2021, we began providing a new PC Lifecycle Management Service (PC-LCM) when PCs are being deployed (P24). In addition to conventional PC leasing functions, the service provides comprehensive support functions across the entire PC lifecycle, including consulting services for planning PC deployment; help desk services when failures occur; maintenance support in case of breakdowns; and arrangements for return at the end of the lease, erasure of HDD data and eventual reuse. We have thus evolved from providing products to providing services. By offering appropriate support over the lifetime of our products, the Group enables customers to deploy PCs longer, more comfortably and with enabling a reduced burden on the environment when installing.

In auto leasing, Fuyo Auto Lease, a group company, has begun a used auto lease service in which vehicles whose leases are up are serviced and offered at lower lease rates. This is part of our effort to take on the challenge of extending product life, in this case by developing new ways of utilizing used vehicles in addition to traditional used car sales channels. Further, we are steadily advancing efforts to put in place infrastructure and networks aimed at achieving the circular economy in other fields, including medical equipment, information and communication equipment and material handling equipment.

The Fuyo Lease Group will continue to evolve in order to achieve the circular economy through its business. In the future, we aim to build a wide-area ecosystem by expanding the circular economy infrastructure and network we have built up in the leasing business with the goal of becoming a platformer for the circular economy. This will allow those using the Group's services to automatically participate in the circular economy, and by extension contribute to society as a whole.

VOICE

General Manager,
Business Assets Management Division
Yasushi Mizuta

In November 2020, Fuyo Lease became the first Japanese financial institution to join the U.K.-based Ellen MacArthur Foundation. The Foundation is one of the world's leading organizations promoting the circular economy, and is engaged in global activities in collaboration with companies, research institutions, and government agencies. We will actively participate in workshops organized by the Foundation and joint projects with participating companies in order to gain knowledge of the circular economy and to collaborate with other companies and research institutions. Together with the world's leading companies and research institutions, we hope to contribute to the establishment of a recycling-oriented society in line with the vision for a circular society.

CSV 3 BPO

Providing New Solutions that Contribute to Supporting Work Style Reforms and Sustainable Corporate Growth

Issues in Promoting the Introduction of Telecommuting under the COVID-19 Pandemic Become Clear

The introduction of telecommuting in the corporate sector has progressed, driven by the spread of COVID-19. Still, the percentage of employees coming to work remains high, in part because of the need for some departments such as accounting to handle work like dealing with paper invoices in the office; this has hindered the more widespread use of telecommuting. This kind of work, including receipt of paper invoices, is affected by the practices and methods used by business partners, and it is extremely difficult to review these operations without their cooperation.

At the same time, telecommuting has also caused an increase in inquiries to information systems departments responsible for building a company's system infrastructure, leading to a chronic personnel shortage. There have also been a number of organizational management issues, including lack of an environment that allows employees to concentrate on their core duties, and cases in which telecommuting systems were hastily built but still face issues in terms of security and telecommunications quality.

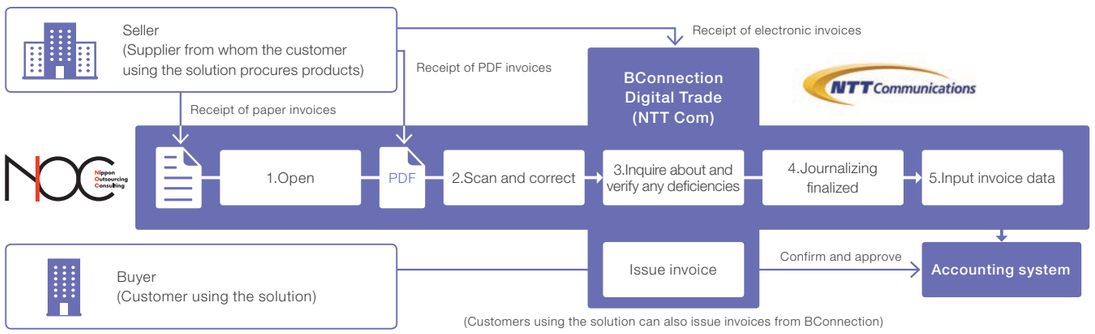
Resolving Corporate Issues by Providing New Solutions

The Group is working to support the resolution of these kinds of issues involved in the introduction of telecommuting by providing new solutions.

1 Supporting the Complete Shift of Accounting Departments to Telecommuting: A Total Solution for Accounting and Invoicing

This solution supports the complete shift of accounting departments to telecommuting by utilizing BConnection Digital Trade*1, a cloud-based invoice digitization service provided by NTT Communications Corporation ("NTT Com"), and a system linking high-speed document readers and AI-OCR*2 offered by Group subsidiary NOC Outsourcing & Consulting Inc. ("NOC"), and leverages NOC's many years of know-how in accounting BPO. It is provided as an integrated package for undertaking a whole series of accounting department operations, and combines the digitized BPO and accounting BPO services NOC had been providing individually, including receipt and digitization of paper and PDF invoices; journalizing of accounting data by accounting professionals; and linking of journalized invoice data with other accounting systems.

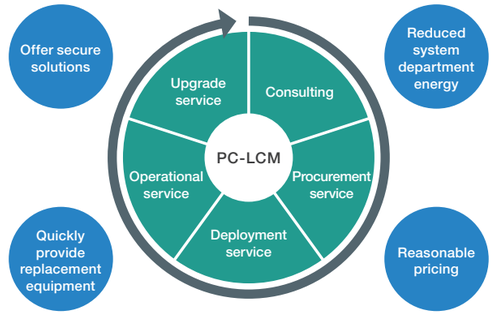
A Complete Solution for Accounting and Invoices



2 Complete Support for Information System Departments: PC Lifecyle Management (PC-LCM) Service

As information system departments shift their focus to core operations, outsourcing of PC-related tasks that require energy to manage and run will become an increasingly important factor.

The PC-LCM service includes consulting in overall operations, procurement (equipment selection and rental provision), deployment (setup and delivery management), operations (help desk, replacement equipment in case of failure, provision of security products), and upgrades (equipment replacement and data deletion), as well as full outsourcing of various tasks associated with all of these processes. Our group companies work together seamlessly to achieve reasonable pricing while providing complete support to company information system departments, solving a variety of issues involved in managing PCs.



Supporting Acceleration of the Shift to a Focus on Core Operations

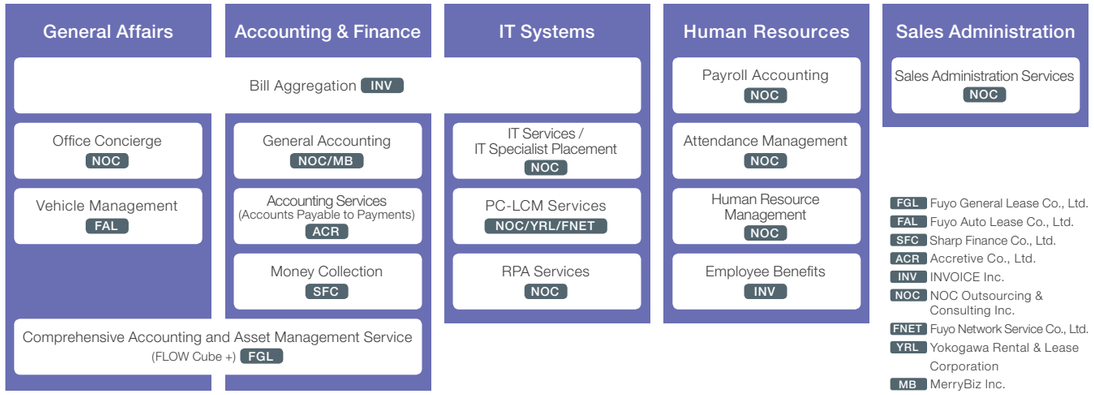
Recently, we have been receiving an increasing number of requests for advice from companies that want to concentrate their management resources on their core business (and consider streamlining or outsourcing non-core operations), and during the COVID-19 pandemic, we have had a strong sense that companies are increasingly conscious of the importance of sustainable growth. These include such requests as, "We want to take advantage of our head office relocation to streamline operations. Can you manage our general affairs operations?" or, "We want to consolidate our group company back office divisions, and would like your advice on setting up a shared company."

In responding to such inquiries, the Group does not limit itself to the mere general affairs operations, but also visualizes business processes, handles system deployment, and conducts regular reviews of service levels and labor costs. In addition, based on our cumulative know-how as an outsourcing company in standardizing operations, we can also assist in designing shared company business design and operations.

We not only improve efficiency, but by consulting on overall operations promote optimal solution proposals—including full outsourcing—from a medium to long-term perspective.

*1 BConnection Digital Trade: A cloud-based service provided by NTT Com for digitizing invoices and other documents. It offers functions including creation and issuing of electronic invoices, viewing of electronic invoices within the company, and linking of invoice data to other accounting systems. The service promotes the corporate shift to paperless operations and remote work, and contributes to improved productivity.
*2 AI-OCR: The utilization of AI technology in optical character recognition (OCR) used to read and digitize hand-written documents and forms.

BPO Service Lineup



VOICE

General Manager, BPO Service Promotion Division
Koji Yamamoto

OneVoice, an integrated billing service for utilities that group company INVOICE began offering in April of last year is attracting renewed attention.

Since the signing of the Paris Agreement in 2015, growing international momentum aimed at a decarbonized society and an emphasis on ESG investing have required companies to actively work to reduce their CO_2 emissions. While many companies manage their use of electricity, gas and water and their CO_2 emissions, they are also expected to properly calculate and review their emissions volumes.

In addition to improving operational efficiency by collecting invoices delivered separately to each office and converting invoice information to data, OneVoice returns information on utility usage to each location in the form of data, supporting clients in their efforts to calculate CO_2 emissions and contributing to the resolution of social issues.

CSV 4 Mobility Business

Contributing to Solving Issues and Creating Social Value Through the Mobility Business

Managing Executive Officer
Atsushi Mizuguchi

Challenges Facing the Industry and How the Fuyo Lease Group Will Respond

The automotive industry is entering a once-in-a-century period of great change due to the technological innovations known as CASE*1 and advancements in MaaS*2. In the logistics industry, many social issues have become apparent, including an increase in the volume of cargo being handled due to the expansion of the e-commerce market with the impact of the COVID-19 pandemic, shortages of truck drivers and the aging driver population, and long work hours. Addressing these changes and their resultant social issues has become an urgent, important issue for many companies, and has also increased the importance of the create shared value (CSV) perspective in achieving sustainable corporate growth and enhancing corporate value through solutions to these problems.

Against the backdrop of these changes, in April 2020, the Company created a new Mobility Business domain combining Fuyo Auto Lease, which provides comprehensive vehicle support services, and YAMATO LEASE, which offers management support services centered on truck leases to transport companies, and also established a new Mobility Business Promotion Division, responsible for planning, operations, and promotion of this initiative. Further, by adding the Machinery Business Division, which deals in financing services for material handling equipment*3 and construction equipment, to this domain, we are positioning the Mobility Business in the Strategic Areas, and have put in place a structure for the Group as a whole to provide services in the industries of automobiles and logistics. We are currently working through YAMATO LEASE to actively establish a business collaboration with the Yamato Group, and are moving forward to review specific strategies.

*1 CASE: A term that has been coined from the initial letters of 4 automotive trends: Connected (connected cars), Autonomous (autonomous driving), Shared & Service (shared cars and driving as a service), and Electric (electrification of vehicles).
*2 MaaS: An acronym for Mobility as a Service, which indicates the creation of services based on means of transportation (mobility).
*3 Material handling equipment: Refers to cargo handling machinery used in logistics operations. These include pallets, forklifts, automated warehouses, conveyer belts and others.

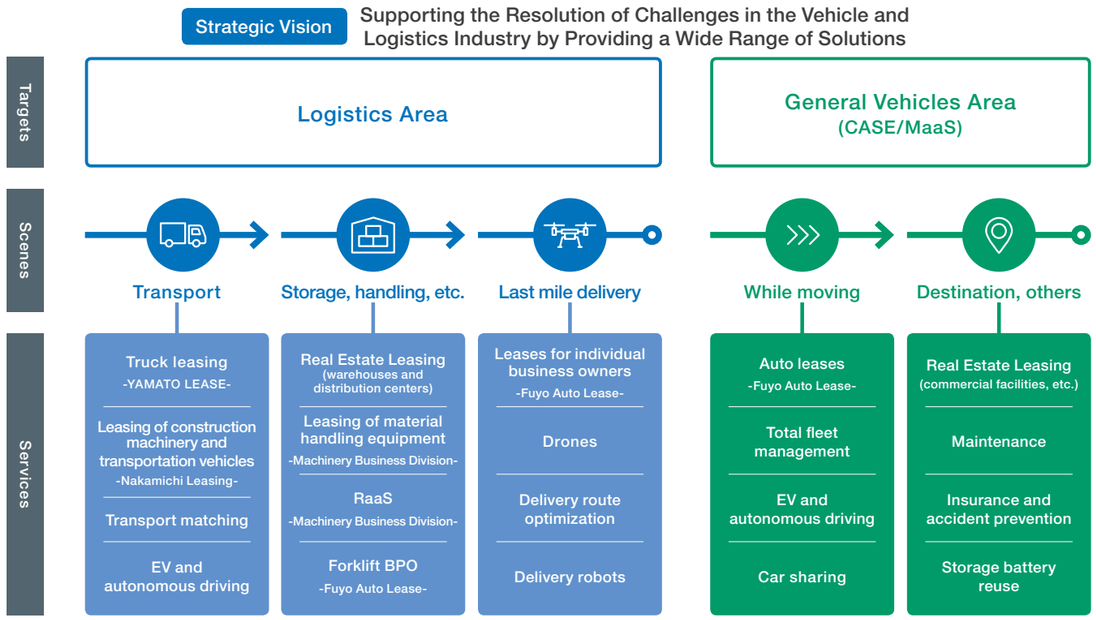
Our Strategic Vision for Future Business Development and Mobility Business

The Mobility Business aims to solve customer issues by providing wide-ranging solutions in the logistics and general vehicle areas.

In the logistics areas, we will promote our upstream strategy by further deepening collaboration with partner companies with the goal of establishing a consulting sales process that visualizes customer issues and provides solutions in terms of logistics, materials handling and work styles. We will also work to utilize the know-how of our overseas group companies and in other domains, including PRC*4, which is involved in the forklift leasing business, primarily in the U.S., and TDF*5, which is involved in the pickup-truck rental, leasing and sales business in North America. Further, we will enhance the added value of our services by strengthening collaboration and business synergies with close partners such as the Yamato Group, Sompo Japan Insurance Inc. and Nakamichi Leasing Co., Ltd., while advancing the development of new services that will lead to resolving customer issues.

In the general vehicle areas, our goal will be to enhance customer satisfaction even further by supporting safe operations through the introduction of total fleet management services*6, improving customer fleet utilization rates through the use of car sharing, and encouraging the deployment of electric vehicles. We are also focusing on autonomous driving and other new technologies, and are collecting and accumulating knowledge to leverage in developing the Group's own new services through ongoing dialogue with companies that provide state-of-the-art technology and services.

*4 PRC: A company that handles operating leases for material handling equipment mainly in the United States.
*5 TDF: A company that engages in rental, leasing, and sales of pickup trucks in North America.
*6 Total fleet management service: A service in which a leasing company contracts to provide centralized repair, inspection and other vehicle maintenance operations, and that works to streamline vehicle use and management through the utilization of driving data.

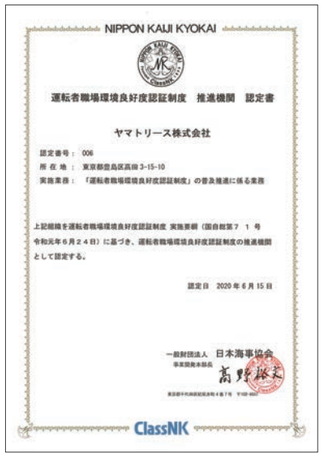


Fuyo Lease Group CSV Initiatives in the Mobility Business Area

Due to changes in its social structure—including a declining birthrate, aging population and the concentration of population in urban areas—Japan today is seeing the emergence of a variety of social issues related to mobility, such as ensuring freedom of movement, revitalizing local communities and reducing environmental impact. Expectations are focused on autonomous driving as one means of solving these kinds of issues. In June 2021, the Group entered into a business alliance with MACNICA, Inc. for the social implementation of autonomous driving, and has introduced the ARMA self-driving car manufactured by Navya, SA of France. We plan to offer our self-driving vehicles and know-how for use by local governments and companies in proof-of-concept testing, with the goal of achieving early implementation of autonomous driving and contributing to solving social issues.

In addition, as part of its management support services for transport companies, YAMATO LEASE is working on a support service for the acquisition of certification under the Driver's Workplace Environment Quality Certification System (commonly known as the Comfortable Workplace Certification System)*7, under which third-party organizations evaluate and certify driver working conditions and working environments at trucking companies. The company is the first leasing company to be certified as an organization that promotes the Comfortable Workplace Certification System, and since the start of the system in fiscal 2020, has helped more than 100 firms obtain certification. Going forward, the company will continue working to solve transport company management issues by supporting certification under this system and providing a variety of other services.

Self-driving shuttle bus manufactured by Navya


NIPPON KAIJI KYOKAI
運転者職場環境良好度認証制度　推進機関　認定書
ヤマトリース株式会社
認定番号：006
所在地：東京都豊島区高田3-15-10
実施業務：「運転者職場環境良好度認証制度」の普及推進に係る業務
上記組織を運転者職場環境良好度認証制度 実施要綱（国自総第7 1 号 令和元年6月24日）に基づき、運転者職場環境良好度認証制度の推進機関として認定する。
認定日 2020年6月15日
一般財団法人 日本海事協会
ClassNK

YAMATO LEASE Comfortable Workplace Certification

VOICE

General Manager,
Mobility Business Promotion Division
Shinji Sasakura

Established in April 2020, the new Mobility Business Promotion Division is approaching various issues in the areas of automobiles and logistics, which are undergoing a period of historic change. The types of customer issues we see have changed significantly, and include an increase in the volume of cargo handled with the rapid expansion of the e-commerce market; the expansion of the logistics robot market in response to labor shortage and BCP; work style reforms driven by long working hours and an aging population; the shift to electric vehicles in response to climate change and resource shortages; and initiatives for safe driving support and autonomous vehicles. Through alliances with the Yamato Group, material handling manufacturers and other partner companies, we will promote an upstream strategy to provide consulting services in the areas of automobiles and logistics, and contribute to resolving customer issues by providing solutions.

*7 The Comfortable Workplace Certification System: A system aimed at improving working conditions and workplace environments for drivers, while also certifying operators who are striving to institute work style reforms, including remedying long working hours as a means of acquiring and training the drivers they need.

CSV 5 Medical & Welfare

Contributing to Solving the Issues of Medical Institutions and Nursing Care Providers by Providing a Wide Range of One-stop Solutions

Management Issues Faced by Medical Institutions and Nursing Care Providers, and the Fuyo Lease Group's Initiatives

With the year 2025 fast approaching, when all baby boomers will be at least 75 years old, demand for medical and nursing care services for the latter-stage elderly is growing. At the same time, conditions surrounding medical institutions and nursing care providers are growing increasingly challenging, with the need to secure doctors, nurses and other medical workers and nursing care staff, work on reforming work styles, and respond to the spread of COVID-19. Further, the Regional Medical Care Vision*1 advocated by the Ministry of Health, Labour and Welfare is expected to accelerate the shift in hospital bed functions and moves to consolidate nursing care providers.

Under these circumstances, medical institutions and nursing care providers must work quickly to rationalize management and streamline operations through advancements in ICT and the use of BPO services in order to secure a reliable supply of human resources and reform work styles. In addition, the need to effectively procure funding and equipment following the breather provided by the directed loan program of the Welfare and Medical Service Agency*2 is gradually becoming apparent.

The Fuyo Lease Group has positioned Medical & Welfare as one of its Strategic Areas, and is working to provide lease financing for medical institutions and nursing care providers, factoring of medical and nursing care receivables and other financing services; the Group is also working to acquire and strengthen consulting capabilities. The main pillar of our strategy is to offer a one-stop solution for a variety of management issues faced by our customers by working in cooperation with alliance partners and utilizing the Group's healthcare-related services.

*1 Regional Medical Care Vision: This initiative aims to create a framework for the division of roles and cooperation among medical institutions through the cooperation of local stakeholders, in order to estimate medical needs in 2025 and create a medical system that responds to those needs.

*2 Welfare and Medical Service Agency: An independent administrative corporation established to promote welfare and improve the spread of medical care. It engages in loan business for the development of social welfare facilities and medical facilities, etc.

Integration of Group Functions in the Medical and Welfare Fields and Expansion of the Fuyo Lease Platform Concept

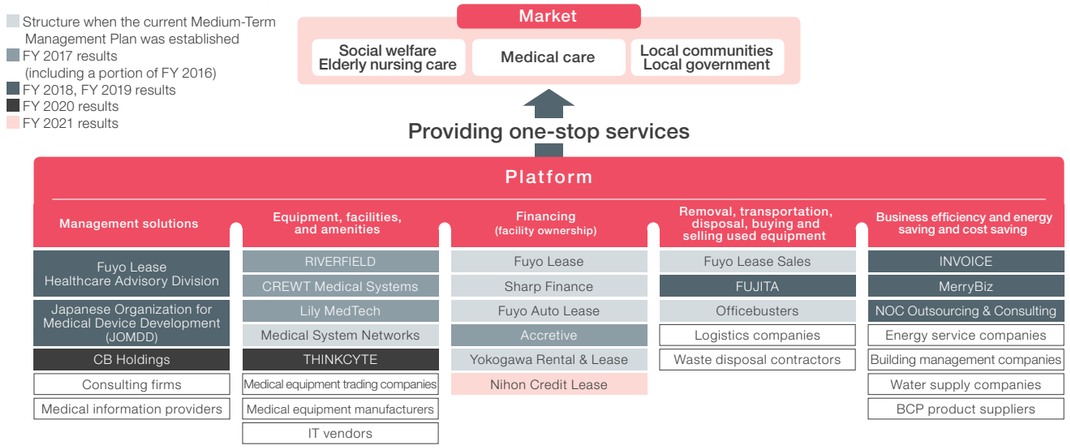
Utilizing the specialized knowledge and human networks of our Healthcare Advisory Division, established in April 2019, the Group is working to enhance sales activities aimed at management at medical institutions that play a central role in regional medical care. By actively approaching management, we gain a better understanding of the specific needs of each medical institution. We utilize their needs in proposals aimed at solving their issues, while also leveraging this information to develop new services and expand our business domains.

On their own or in collaboration with alliance partners, each of our group companies is working to enhance the Fuyo Lease Platform Concept to offer one-stop, wide-ranging solutions by combining the services they are capable of providing tailored to customer needs.

The Group provides a wide range of services, including leasing and financing of medical equipment and nursing care facilities; factoring services for medical and nursing care receivables provided by Accretive; removal and resale of used medical equipment provided by FUJITA; opening support services for clinics such as initial capital loans and clinic area surveys provided by Sharp Finance; and BPO services provided by NOC Outsourcing & Consulting. In addition, we are expanding our consulting services for business improvement using RPA and AI-based medical fee billing in collaboration with medical consulting companies by utilizing our ties with alliance companies.

In addition, under the platform concept, we are working to promote and spread the use of advanced medical devices developed by medical venture companies. In April 2020, we entered into a capital and business agreement with THINKCYTE INC., which conducts research and development in next-generation cell isolation systems using AI. We will continue to promote collaboration and cooperation with highly specialized alliance companies, including the development of high value-added products with this company and other medical device manufacturers, to further expand our platform concept and contribute to solving diverse customer needs.

Fuyo Lease Platform Concept



Taking on New Business Domains

In January 2021, the Group entered into a capital and business agreement with CB Holdings Inc., which provides information services specific to the medical and welfare industries, including M&A brokerage, support for opening businesses, management consulting, recruiting and business development support and news distribution. Through the trust it has built with medical institutions since its founding, and through its networks and wide-ranging solutions, the CB Group leads to solving a wide variety of management issues in the medical and welfare industries. We are working to create business synergies through the integration of the know-how, networks and services of the CB Group and the Fuyo Lease Group, with the goal of expanding our business domains in the Medical & Welfare fields.

Another new business area we are working in is to improve the sustainability of medical and nursing care functions in local communities. The sustainability of these functions is an essential element in the revitalization of local economies, and we believe that regional financial institutions, which have built relationships of trust with local governments, medical institutions and nursing care providers, play an important role in this regards. The Group has provided a variety of services to local medical institutions and nursing care providers in cooperation with regional financial institutions. For example, as part of the lineup of management support services offered by major nursing care providers, ranging from the opening of new nursing care facilities to operational improvements, the Group's nursing care and welfare equipment leasing and nursing care receivables factoring services are offered to providers that are clients of regional banks. We are currently working to further advance collaboration with regional financial institutions to build a framework to financially support the business operations of local nursing care providers and to meet the financial needs of medical institutions for business succession and rebuilding of aging facilities. Through these various efforts, we will contribute to improving the sustainability of medical and nursing care functions in local communities.

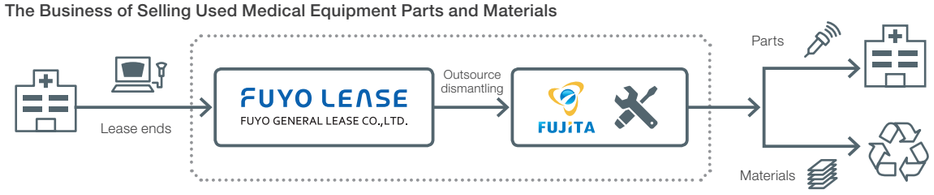
VOICE

Executive Officer and General Manager, Healthcare Business Promotion Division
Hideyuki Otsubo

The Healthcare Business Promotion Division, established in April 2021, has taken the lead in building a group-wide website that will enable the Group to provide its products and services in the Medical & Welfare fields in an integrated manner. We will position this website as a point of contact for providing services that will lead to solving issues faced by medical institutions and nursing care providers, and aim to build a website that is attractive to customers by providing information that is useful for their business operations.

In addition, FUJITA, a group company engaged in removal and resale of used medical equipment, dismantles medical equipment that has been returned at the end of the lease period and breaks it down into parts and materials that can be resold, and has started a business to sell the parts to used equipment domestic and overseas trading companies, and the materials to buyers of valuables. In the future, we will expand the scope of this business to include other companies that have terminated their leases, and by promoting the recycling of medical equipment, we will contribute to reducing environmental impact and promoting a resource-recycling economy.

The Business of Selling Used Medical Equipment Parts and Materials

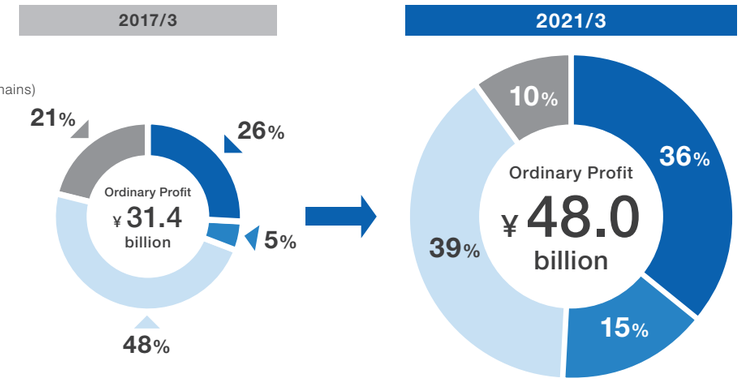


Our Business

At a Glance

Trends in ordinary profit

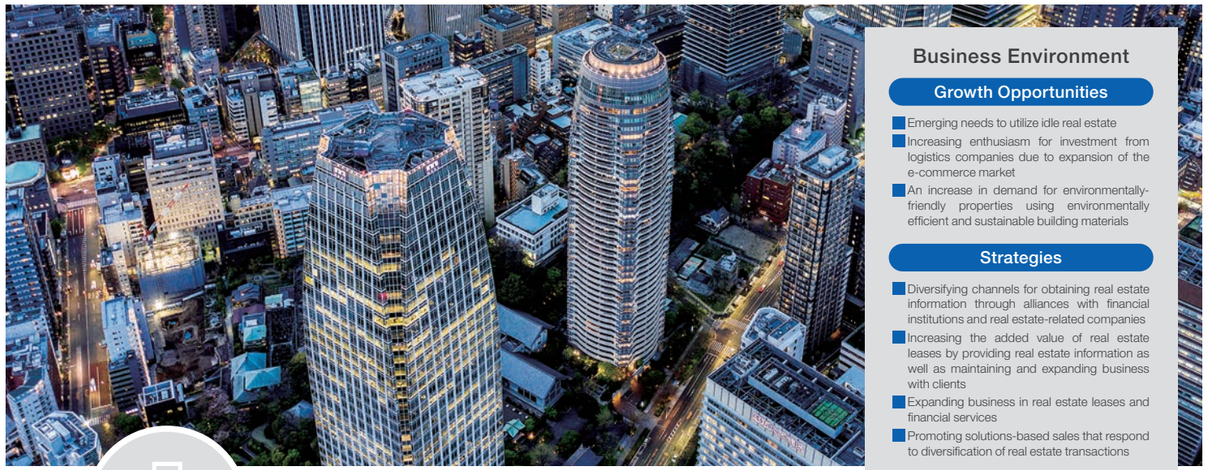
- Strategic Areas (excluding New Domains)
- New Domains
- Core Areas
- Others



Business Areas	Businesses	Key Indicators		Major Services Provided
Strategic Areas	Real Estate P30	Operating assets (real estate leases)	FY 2016 ¥240.2 bn FY 2020 ¥555.2 bn	Real estate leases Real estate-related financial services Space leases/Security Deposit System
Strategic Areas	Medical & Welfare P31	Operating assets	FY 2016 ¥70.0 bn FY 2020 ¥115.4 bn	Medical equipment leases Factoring for medical and nursing care receivables (FPS Medical) Buying used medical equipment services
Strategic Areas	Energy & Environment P32	Operating assets (Including renewable energy generation business)	FY 2016 ¥31.0 bn FY 2020 ¥85.0 bn	Renewable energy generation business Green electricity supply services (PPA services) ESCO services Agribusiness
Strategic Areas	Aircraft P33	Operating assets (leases for aircraft owned by our company)	FY 2016 ¥75.1 bn FY 2020 ¥148.4 bn	Aircraft leases/Financing Part-out business Japanese operating lease
Strategic Areas	Overseas P34	Operating assets (Including investments in overseas affiliate companies)	FY 2016 ¥84.1 bn FY 2020 ¥97.4 bn	Leasing and installment sales to companies operating in overseas Various solution businesses (Americas, East Asia, Southeast Asia) Providing services in Strategic Areas overseas
Strategic Areas / New Domains	BPO P35	Number of companies provided BPO services*1	FY 2020 19,353 companies	Comprehensive BPO Services (general affairs, accounting, personnel affairs, etc.) Billing service for telecommunications and water and utility charges Total solutions for accounting and billing service PC Life Cycle Management (PC-LCM) services
Strategic Areas / New Domains	Mobility Business P36	Operating assets	FY 2016 ¥98.7 bn FY 2020 ¥179.8 bn	Auto leases Truck leasing Leasing of logistics and material handling equipment Management support solutions for transportation companies
Core Areas	Domestic Corporate P39	Percentage of "Operating Leases" in leases	FY 2016 24.4% FY 2020 32.1%	Leasing and installment sales Various solution businesses
Core Areas	Vendor Leases P39	Sharp Finance's ordinary profit	FY 2020 ¥7.3 bn (+9.2% year on year)	Leasing for sales promotions Collection agency services
Core Areas	Financing P39	Operating assets	FY 2016 ¥532.5 bn FY 2020 ¥725.7 bn	Financing programs Fund investments Credit investments

*1 Number of companies served by five companies Sharp Finance, Accretive, INVOICE, NOC Outsourcing & Consulting, and MerryBiz.

Contributing to society and the environment (outcome) — Supplying environmentally and socially friendly assets



Strategic Areas

Real Estate

Fuyo Lease Group offers a wide range of real estate-related financial services, including real estate leases for a broad range of assets such as commercial, distribution, and nursing care facilities and real estate financing, in which we have a strong track record in loans, investments, and acquiring trust beneficiary rights.

Business Environment

Growth Opportunities

- Emerging needs to utilize idle real estate
- Increasing enthusiasm for investment from logistics companies due to expansion of the e-commerce market
- An increase in demand for environmentally-friendly properties using environmentally efficient and sustainable building materials

Strategies

- Diversifying channels for obtaining real estate information through alliances with financial institutions and real estate-related companies
- Increasing the added value of real estate leases by providing real estate information as well as maintaining and expanding business with clients
- Expanding business in real estate leases and financial services
- Promoting solutions-based sales that respond to diversification of real estate transactions

Challenges

- Addressing downturn in the real estate market
- Developing human resources with high degrees of specialization necessary for business expansion
- Further improvement of capital efficiency

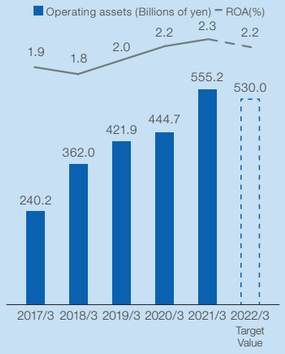
Actions

- Increase levels of risk management for real estate held by the Fuyo Lease Group
- Promote human resources development by e.g. providing support to employees to obtain qualifications and implementing job rotation
- Asset management and appraisal amid the COVID-19 pandemic

FY 2020 Overview and Outlook

In fiscal 2020, we accumulated real estate assets with diverse uses, including LOGI'Q Kyoto Kumiyama in partnership with TOKYU LAND CORPORATION and Kirarie Kusatsu, which combines public- and private-sector facilities based on the concept of CSV. We also focused on building a sophisticated real estate management and crisis management (responding to accidents and disasters) system led by the Real Estate Assets Management Division, which specializes in real estate asset management, to increase the added value of our real estate holdings.

Operating assets and ROA for Real Estate leasing



Growth Strategies — *Frontier Expansion 2021*

In the Real Estate business, we steadily accumulated operating assets while minimizing the impact of COVID-19 and achieved the revised targets of our Medium-term Management Plan (operating assets of ¥530 billion and ROA of 2.2% in the final year) ahead of the schedule. Going forward, we aim to leverage group synergies through collaboration among sales departments and branches in each area and with other business areas by the newly established Real Estate Solution Business Division, and utilize networks that we have built with alliance partners to acquire new customers. Looking ahead to the new Medium-term Management Plan, we will develop new, profitable business schemes, increase the scope of the Real Estate business, and develop more sophisticated real estate leasing functions, including diversification of asset control functions using finance schemes.

Major Achievements

Participating in Warner Bros. Studio Tour Tokyo "The Making of Harry Potter" Facility Development Project

Warner Bros. Studio Tour Tokyo is a hands-on entertainment facility scheduled to open in fiscal 2023 on the site of former Toshimaen amusement park (approximately 30,000 m²). It is being developed by a consortium of Warner Bros. Japan LLC, SEIBU RAILWAY Co., Ltd., ITOCHU Corporation, and Fuyo General Lease Co., Ltd., and is the second Studio Tour facility to open after the one in London. The facility will occupy part of Nerima Joshi Koen, which the Tokyo Metropolitan Government has designated as a priority area for redevelopment. It is expected to become a facility that will enrich the lives of Tokyo residents.

Conceptual image of Warner Bros. Studio Tour Tokyo "The Making of Harry Potter"

Contributing to society and the environment (outcome)

- Improving both the quantity and quality of medical, elderly nursing care, and welfare services
- Helping medical institutions to achieve financial stability by meeting their funding needs
- Disseminating advanced medical technologies

Strategic Areas

Medical & Welfare

We offer a wide range of services, which include leasing medical equipment, advisory services related to managements, buying used medical equipment as well as factoring for medical and nursing care receivables. We meet our clients needs in a timely manner by offering a range of one-stop services.

Business Environment

Growth Opportunities

- Growing need for medical services and nursing care in an aged society, and increasing needs for operating efficiency at medical institutions and nursing care and social-welfare providers
- Growing need for financing, as medical equipment employing state-of-the-art technologies for higher performance becomes more expensive
- Emerging need to build a community-based integrated care system
- Emerging management support need among medical institutions and nursing care facilities impacted by COVID-19

Strategies

- Focusing on advisory services for medical institutions
- Maximizing synergies between group companies when buying used medical equipment, factoring, and providing BPO services
- Promoting business opportunities nationwide in collaboration with local financial institutions and business partners

Challenges

- Lower profits from individual lease and financing services
- Intensified competition in the medical and social-welfare market by new entrants

Actions

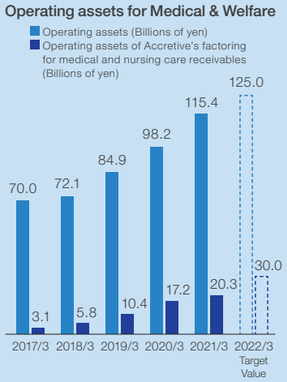
- Improve profitability by switching to offering solutions
- Differentiating from competitors by offering a broad range of one-stop services
- Gathering and supplying products that protect against COVID-19

FY 2020 Overview and Outlook

In the medical business, we turned sales of used medical equipment parts and materials into a new business alongside accumulating operating assets in collaboration with highly specialized players. In fiscal 2020, we concluded a capital and business alliance with CB Holdings Inc., which provides management support to the healthcare, nursing care, and welfare businesses and are making progress with the provision of healthcare-related services by utilizing CB Holdings' information and know-how.

In the welfare (nursing care) business, we work with regional financial institutions and major nursing care service providers to develop regional nursing care business support programs, and are preparing to establish a management support fund by the end of fiscal 2021.

Operating assets for Medical & Welfare



Growth Strategies — *Frontier Expansion* 2021

Operating assets of the medical & welfare businesses continued to grow, reaching ¥115.4 billion in fiscal 2020, amid the contracting need for funding associated with the government's emergency loan program. In the medical business, to maintain this growth under the new Medium-term Management Plan, we aim to build framework that fulfill the need for funds to rebuild aging facilities of medical institutions, for business succession, etc., such as asset financing for hospital real estate and management support funds.

In the welfare (nursing care) business, we will work toward making our management support fund for regional nursing care service providers a reality, as well as expanding target businesses of financing and diversifying transactions.

Major Achievements

Released Online, Non-Contact Factoring Service "Medicare in"

Accretive provides a factoring service to nursing care providers and medical institutions. The company released "Medicare in," a dedicated website that provides a comprehensive online service from application through to review verification. The website allows us to provide a safer and more convenient factoring service to our customers, nursing care businesses and medical institutions, at a time when the need for online, non-contact services is growing amid the COVID-19 pandemic. Going forward, we are planning to build a group-wide website that provides all healthcare-related services provided by group companies in an integrated and efficient manner for greater customer convenience.

Medicare in by Accretive

Contributing to society and the environment (outcome)

- Estimated CO_2 reduction 147,574 t-CO_2
- Promoting renewable energy and energy saving
- Promoting the use of renewable energy and communicating demand voices to the market
- Disseminating advanced renewable energy-related technologies

Strategic Areas

Energy & Environment

We will promote the expansion of green energy through the renewable energy power generation business and PPA services, and support our clients in their energy-saving activities and decarbonization through ESCO services*.

* ESCO services provide everything needed to improve energy efficiency, including technology, equipment, personnel, and funding. As an ESCO service provider, we receive a portion of the actual energy cost savings generated through the services as compensation.

Business Environment

Growth Opportunities

- Enhanced social initiatives to realize a decarbonized society (e.g. SDGs, RE100, ESG investment)
- Growing demand for green energy sources such as solar power and effective use of resources
- Continued energy saving needs amid rising energy costs
- Increasing demand for food safety

Strategies

- Promoting decarbonization initiatives, including signing up for RE100, JCLP and 100% Renewable Electricity Declaration RE Action
- Expanding the renewable energy power generation business and promoting the circular economy
- Promoting energy efficiency through ESCO business
- Advancing plant factory business

Challenges

- Responding to new technologies related to renewable energy and energy conservation
- Breaking away from the feed-in tariff (FIT*) scheme for renewable energy and building a business model that does not rely on FIT

* Under the FIT scheme, payments are provided at a fixed rate for the renewable energy produced, e.g. solar energy

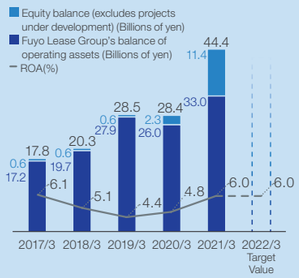
Actions

- Developing capital and business alliances with venture companies that have new technologies
- Focusing on new initiatives toward a post-FIT era (e.g. PPA-related business, storage battery/EV infrastructure-related businesses, etc.)

FY 2020 Overview and Outlook

In fiscal 2020, we expanded proactively overseas business, such as by investing in renewable energy-related funds in Taiwan and the US, leveraging the know-how we had acquired in Japan. The PPA business, which we developed responding to the growing demand for renewable energy, resulted in multiple contracts and established itself as a service that supplies green electricity and prepares for the end of the feed-in tariff (FIT) system. Looking ahead, we are planning to expand overseas in new business areas, including PPA and storage batteries.

Operating assets and ROA for renewable energy power generation business



Growth Strategies — *Frontier Expansion* 2021

Operating assets of the renewable energy business totaled ¥44.4 billion, growing sharply as a result of joint investments with partners and overseas expansion. We plan to make this business more sophisticated by sharing the know-how of domestic and overseas projects, and participating in diverse renewable energy businesses in Japan and overseas (including not only solar, but also wind, micro-hydro, biogas, and geothermal power generation) to respond to growing demand for this business. Furthermore, we are moving into the storage battery business, eyeing the electric power supply and demand adjustment market*, and working on the development and promotion of EV infrastructure as society transitions to EVs.

* Electric power supply and demand adjustment market: A central market launched in April 2021 for trading electric power (adjustment power) needed for supply/demand adjustment at power stations.

Major Achievements

Investment in Renewable Energy Power Generation Fund, including Japan's Largest Onshore Wind Power Facility

We invested in a fund established by Green Power Investment Corporation to support five renewable energy power generation projects in Japan. It invests in wind (total power generated: 166.6 MW) and solar (55.9 MW) power generation facilities, including Japan's largest onshore wind power generation facility, and is one of the largest renewable energy funds in Japan. By investing in the fund, we will acquire knowledge and know-how in the wind power generation business that can be applied in future domestic and overseas projects, thereby contributing to the further spread of renewable energy toward the realization of a decarbonized society.

Wind Farm Tsugaru in Tsugaru City, Aomori Prefecture, Japan

Contributing to society and the environment (outcome) Transport ability of Group owned aircraft: 11 million people per year

Strategic Areas

Aircraft

We launched our Aircraft business in the early days of the aircraft leasing industry and have arranged a cumulative total of over 300 leases for airlines around the world. Going forward, we plan to expand into new business areas by promoting leases of aircraft that we own and providing new aircraft-related services.

Business Environment

Growth Opportunities

- In the long term, an increasing need for aircraft around the world
- An increasing need for renewal of aircraft with low environmental impact
- An increase in leaseback transactions*1 resulting from greater demand for funds from major and blue-chip airlines

*1 Leaseback transaction: A transaction in which an aircraft or other piece of property is sold to a lender, who then leases the property back to the original seller.

Strategies

- Steadily increasing our aircraft fleet by leveraging the know-how that we have gained from many years of aircraft leasing arrangements
- Building a portfolio with lower environmental impact and greater liquidity mainly consisting of narrow-body aircraft
- Promoting leaseback transactions and building relationships with airlines in response to greater demand for funds from major and blue-chip airlines

Challenges

- Sluggish demand for aviation due to the spread of COVID-19
- Strengthening relationships with investors, funds, and other entities that are candidates for aircraft sales

Actions

- Promote the establishment of a system that is not overly affected by the market cycle
- Expand businesses through investments and joint ventures
- Strengthen sales activities for domestic JOL*2 investors in Japan and expand business partners by using the extensive network of UK-based ALM

*2 JOL: An abbreviation of Japanese operating lease. It is a means of fund management that enables investors to make planned tax payments by participating in large-scale aircraft leasing projects and obtaining the same effects as acquiring large-scale depreciable assets.

FY 2020 Overview and Outlook

In aircraft operating leases, we expanded our portfolio by purchasing three aircraft and receiving an order for one. At the same time, amid dramatic changes in the market environment brought about by COVID-19, we restructured our portfolio to reflect changes in the earnings performance and financial position of airlines, and aircraft value. We also purchased used engines that are close to retirement to move into the part-out business, with an aim to expand into aircraft-related business areas. While continuing to monitor market trends, we aim to create new earnings opportunities by seeking stable earnings opportunities through portfolio restructuring and building a value chain for the aircraft business through expansion into peripheral business areas.

Operating assets and ROA for aircraft leasing

Number of aircraft owned by the Group

2017/3	2018/3	2019/3	2020/3	2021/3
19	24	35	41	44

Growth Strategies — Frontier Expansion 2021

In aircraft operating leases, we will work toward stable earnings and improving the soundness of our portfolio by identifying profitable projects that combine the credit of the lessee with aircraft value and liquidity, and promoting a recycling business model, such as selling aircraft under lease. We are also expanding further into other peripheral aircraft businesses such as growing the aircraft part-out business and participating in businesses that reduce CO_2. In this way, we are reducing the environmental impact of our business based on the concept of CSV.

Major Achievements

Expanding the Aircraft Part-Out Business to Contribute to a Circular Society

We are further expanding the aircraft part-out business, whereby we purchase and dismantle retired aircraft and sell used parts that can be reused or recycled to airlines and aircraft maintenance companies. In fiscal 2020, we purchased an engine made in 2001 with a short-term lease (green-time lease). A green-time lease entails leasing old aircraft and engines close to retirement until the end of their useful life with the intention of selling parts as a used part after the lease has expired. These initiatives extend the life of aircraft parts and contribute to a circular society.

Engine of a part-out aircraft

Contributing to society and the environment (outcome) Promoting companies' economic activity and helping to solve social issues overseas

Strategic Areas

Overseas

We seek to expand our overseas business by utilizing the Fuyo Lease Group's network. We are building up high-quality assets by pursuing an organic strategy*1 centered on strategic businesses in which we have strength, as well as an inorganic strategy*2 of investing in, acquiring, and partnering with local companies.

*1 Organic growth means growth achieved by implementing a strategy of using our existing management resources.
*2 Inorganic growth means growth achieved by forming business alliances or engaging in business acquisitions.

Business Environment

Growth Opportunities

- Expansion of overseas business opportunities as customers review their supply chain strategies and due to the impact of COVID-19 and other factors
- Expanding the renewable energy business to realize a decarbonized society
- Developing the overseas business and market through collaborations with domestic and overseas partner companies with high levels of expertise

Strategies

- Expanding overseas in Strategic Areas where we have strengths
- Growing our overseas business network by means of organic and inorganic strategies
- Expanding earnings opportunities by pursuing synergies with companies that we invest in

Challenges

- Responding to changing customer trends, such as growing their overseas businesses
- Strengthening training of global personnel that underpin overseas businesses

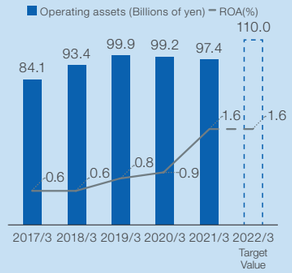
Actions

- Expanding overseas business domains by leveraging our know-how and strengths in the Strategic Areas
- Promoting jointly run businesses with domestic and overseas partners
- Promoting M&A and capital alliances that contribute to the expansion of the Group's business

FY 2020 Overview and Outlook

In fiscal 2020, we pushed ahead with overseas expansion in our areas of strength, such as in the Energy & Environment, Mobility Business, and Real Estate businesses. In particular, in Energy & Environment, we moved forward with overseas businesses that help address climate change, such as investing in renewable energy funds in the US and Taiwan, as well as taking part in a solar power generation business in the US. In addition, we strengthened our network in the Asia region, having established a new subsidiary in Taiwan and forming a subsidiary specialized in the leasing business in Thailand, which is expected to grow as a manufacturing and logistics hub in Asia. We seek to help Japanese-affiliated companies solve their issues by making use of the extensive network that we established in this fiscal year.

Operating assets*3 and ROA for Overseas businesses



*3 Investments in affiliates in overseas businesses are included among the operating assets of overseas subsidiaries, excluding aircraft leasing.

Growth Strategies — Frontier Expansion 2021

In our organic strategy, we will promote the expansion of overseas business beyond the conventional framework of leasing, centered on our areas of strength such as the Energy & Environment and Mobility businesses by strengthening collaboration with strategic businesses and Corporate Business Divisions. In our inorganic strategy, we will pursue synergies with TDF and PRC which we have invested in, and grow and strengthen each company's transactions by sharing the Group's customer base, as well as utilize the two companies' know-how. In addition, we are working on new investments and business alliances that will help to grow our business in Strategic Areas.

Major Achievements

Participating in Solar Power Generation Business in Texas, US

We are participating with ENEOS Corporation in a solar power generation project run by Advanced Power AG in the US. The project is a large-scale power generation facility on a 2.8 km^2 site with total power generation capacity of 140 MW. It is the Fuyo Lease's first overseas solar power generation project. We will contribute to the further spread of renewable energy while building knowledge that we can use in future power generation businesses through running a business in the electric power market in the US, which is ahead of Japan in electricity liberalization.

Solar Power Plants in Texas

Contributing to society and the environment (outcome) Contributing to the solving of labor shortages and the promotion of workstyle reform by providing BPO services

Strategic Areas

BPO

We contribute to "sustainable growth as a company" and "improvement of employee job satisfaction" by bringing together the overall strengths of nine group companies and providing a full lineup and one-stop service in administration, accounts, finance, IT systems, and human resources and sales administration.

Business Environment

Growth Opportunities

- Increasing demand amid the backdrop of work-style reform due to deteriorating labor shortages, calls for equal pay for equal work and other issues
- Increasing needs for the establishment of remote work environments, the reduction of the workforce for non-core operations and paperless triggered by COVID-19
- New expectations for BPO services, such as enhanced business continuity and professional services

Strategies

- Supporting customers in solving their management challenges by offering a full lineup and one-stop service mainly provided by INVOICE, Accretive, and NOC Outsourcing & Consulting and promoting a distinctive BPO business.
- Providing new employment opportunities for housewives, the elderly, and the disabled nationwide using MerryBiz's remote work functions

Challenges

- Increasing number of competitors and intensified price competition
- Differentiation from competing BPO service providers
- Securing human resources engaged in BPO services

Actions

- Utilize the Group's client base (links to finance and accounting divisions) to identify BPO needs
- Provide comprehensive BPO services that allow for a one-stop response to diverse client needs, including accounting and settlements, general affairs, information systems, human resources, and sales administrations
- Standardization and automation of operations through technologies such as RPA and AI-OCR
- Proactive alliance strategy with companies that have DX features and services

FY 2020 Overview and Outlook

In fiscal 2020, the number of user companies of our BPO services has steadily increased, totaling 19,353 in the fiscal year ended March 2021, an increase of 782 from the previous fiscal year. In addition, we proactively expanded our new BPO service lineup in partnership with various companies, including OneVoice, an integrated billing service for utilities, Smart Benefits, a new recruitment, welfare and benefits service, and NOC AI-OCR, which supports the conversion of paper documents into electronic files. We will continue to increase the number of user companies by means of a proactive alliance strategy, targeting 20,000 user companies in fiscal 2021.

Number of companies provided BPO services*

* Sharp Finance, Accretive, INVOICE, NOC Outsourcing & Consulting, and MerryBiz. Invoice was added from 2019/3. NOC Outsourcing & Consulting and Merrybiz were added from 2020/3.

Growth Strategies — *Frontier Expansion* 2021

The need to streamline business processes due to more companies adopting teleworking and the need for DX is growing. We are optimizing BPO services according to customer segment and generating further group synergies to respond to diversifying customer needs. Specifically, this entails optimizing sales activities across the Group by building a centralized group customer information platform, which enables us to understand customer needs through digital marketing and facilitates customer transfer between group companies. Furthermore, we are strengthening alliances with companies with DX features and services to achieve further business growth by actively developing services.

Major Achievements

BPO Service Alliance with Tohoku Electric Power Co., Inc.

In December 2020, Tohoku Electric Power Co., Inc. (Hereinafter: Tohoku Electric Power) and INVOICE formed a business alliance relating to BPO services. INVOICE offers an integrated billing service, which integrates telecommunications, water, and heating and lighting bills for corporate customers, providing a one-stop service that includes billing data as a way to address the labor shortage and work style reforms. Tohoku Electric Power provides solutions that respond to the various needs of corporate customers, and decided to form an alliance with INVOICE to expand its BPO-related services that contribute to cost reduction and productivity improvement. Going forward, we will address management challenges of Tohoku Electric Power customers such as responding to customers' labor shortages and promoting work style reforms.

より、そう、ちから。東北電力 INVOICE

Contributing to society and the environment (outcome) Stable supply and improved efficiency of vehicle and logistics services

Strategic Areas

Mobility Business

In addition to providing comprehensive automotive-related support services, we provide various solutions for automobiles, transportation, warehouses and other related targets, in response to technological innovation in the logistics mobility field. We promote the creation of new mobility businesses that go beyond conventional frameworks by utilizing synergies generated through collaboration with group companies and mobility-related companies.

Business Environment

Growth Opportunities

- Increasing needs to improve operational efficiency in order to resolve the shortage of human resources and to reduce long working hours in the logistics industry
- Increasing demand for new mobility businesses that are represented by Mobility-as-a-Service (MaaS), etc.
- An increase in the volume of cargo being handled due to the expansion of the e-commerce market
- Increasing complexity of logistics needs and the sophistication of service needs
- Increasing need for business succession planning due to shortage of transport company successors

Strategies

- Promoting the establishment of an alliance with the Yamato Group
- Promoting collaboration with partner companies, such as material handling equipment manufacturers and robot system integration companies, etc.
- Utilizing the Fuyo Lease Group's nationwide network and creating synergies with existing businesses

Challenges

- Increasing price competition due to competitors lowering prices
- Increasing the number of vehicles in our inventory and improving the efficiency of administrative services for vehicles Supporting and adapting to new technologies in the mobility field
- Accumulation of knowledge in logistics and mobility fields

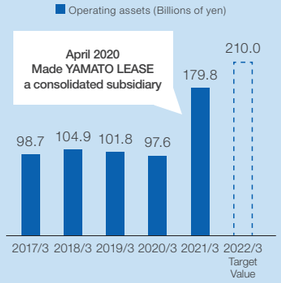
Actions

- Expanding the customer base by strengthening cooperation within the Group
- Developing unique products and differentiating ourselves from competitors through collaborations with partner companies
- Collaborating with partner companies to build new mobility services
- Promoting M&A and capital alliances with companies that excel in the mobility field
- Strengthening non-asset business (fee business) initiatives

FY 2020 Overview and Outlook

In fiscal 2020, we strengthened collaboration with YAMATO LEASE, a consolidated subsidiary, which sharply increased our business with transport companies centered on truck leasing. In addition, to offer more solutions to logistics-related problems, we also began gathering information about customers and building alliances with material handling equipment manufacturers and robot system integration companies. Going forward, we plan to expand our services further and develop new products and services that utilize the know-how of overseas group companies to grow our business worldwide.

Operating assets for Mobility Business



Growth Strategies — *Frontier Expansion* 2021

We are progressing our upstream integration strategy by deepening collaboration with partner companies, including the Yamato Group, thereby strengthening consulting-style sales, which approach to various problems in logistics, such as streamlining processes in warehouses and work style reforms. We aim to provide solutions that utilize the strengths of Fuyo Lease Group, including automation of logistics-related facilities and material handling equipment and streamlining peripheral processes using BPO. We are also exploring new initiatives such as strengthening risk management in partnership with Sompo Japan Insurance Inc. and mutually referring customers with Nakamichi Leasing Co., Ltd. In addition, we are strengthening collaboration in other Strategic Areas to expand our business in new business areas such as real estate leasing for warehouses and logistics centers in the Real Estate business, and promoting the adoption of EVs in the Energy & Environment business.

Major Achievements

YAMATO LEASE Accredited as a Company that Promotes the "Employee-Friendly Workplace" Certification System for Road Transport Companies

In August 2020, YAMATO LEASE became the first leasing company certified as "employee-friendly workplace" certification system for road transport companies. YAMATO LEASE has been working in cooperation with Nippon Kaiji Kyokai and other certification organizations to disseminate the "employee-friendly workplace" certification system nationwide. The company hosts information briefings and provides advice and guidance, as well as supplying a management support service that includes support for trucking companies working toward accreditation. YAMATO LEASE helped more than 100 companies to gain certification in fiscal 2020.

Strategic Areas

New Domains

One of the Strategic Areas specified in Frontier Expansion 2021, New Domains are collectively referred to as new business initiatives as well as expanding the scope of our businesses.

FY 2020 Overview and Outlook

In fiscal 2020, we continued to promote capital and business alliances with new venture companies and focused on collaboration with ventures in which we have already invested. We are working to further expand our business by providing sales promotion and other types of support to companies we have invested in to date, through initiatives that leverage the strengths of both companies. Specific examples include RIVERFIELD Inc., Lily MedTech Inc., and CREWT Medical Systems, Inc., which handle advanced medical devices. We are working with these and other companies to develop effective sales promotion support schemes not bound by conventional leasing and rental frameworks. Going forward, we will collaborate with NExT-e Solutions Inc. to consider other new collaborative schemes more closely aligned with customer needs, including lifecycle management (LCM), which offers complete support for operation and maintenance schemes in the lithium-ion battery lifecycle and enables effective secondary use of batteries.

Growth Strategies
Frontier Expansion 2021

We also continue to promote development of inorganic strategies aimed at further strengthening Strategic Areas including Medical & Welfare, Energy & Environment, BPO and Mobility Business, and specific cooperative schemes with ventures in which we have invested.

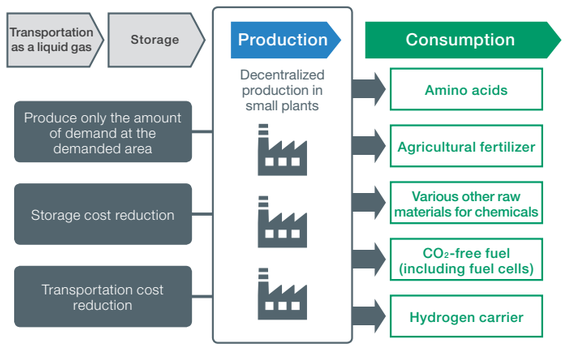
In addition, we will establish other areas of focus, including ICT (Information and Communication Technology), aimed at acquiring functions to support customer efforts to promote DX, and the circular economy, intended to contribute to solving environmental issues. Our goal is to expand new business domains by actively advancing inorganic strategies in these focus areas.

Major Achievements

Capital and Business Agreement Concluded with Tsubame BHB Co., Ltd., an Innovator of the Ammonia Industry

In October 2020, Fuyo General Lease entered into a capital and business agreement to support the business development efforts of Tsubame BHB Co., Ltd. The company, a venture launched from the Tokyo Institute of Technology, has developed and is working to commercialize the world's first on-site ammonia production system. Ammonia is a raw material used in such applications as agricultural fertilizers, chemical and medical products. It has gained attention in recent years from the perspective of solving environmental problems by making it easier to transport and store hydrogen. However, given that current ammonia production needs a high-heat, high-pressure environment, it involves issues including significant capital investment and extremely high logistics costs.

Tsubame BHB aims to achieve practical use of an ammonia production method under low-temperature, low-pressure conditions using an "Electride Catalyst*". Their technology will make on-site (distributed) ammonia production at small plants possible. The Fuyo Lease Group will support the company primarily with financing and sales promotion, and by advancing innovation in ammonia production, will contribute to reducing environmental impact through the wider use of hydrogen energy and through reductions in CO_2 emissions.



*Electride Catalyst: A new catalyst using electride (an electronized material) first invented by Hideo Hosono, professor emeritus at the Tokyo Institute of Technology, in which electrons behave as negative ions.

We are working to expand our business frontiers through M&A and capital and business alliances with companies that have unique technologies and know-how.

Investment timing	Business Form	Partner	Description
Aug. 2017	Investment	RIVERFIELD	Invested in the company, which developed Japan's first robotic surgical assistant system.
Oct. 2017	Establishment	GAP Fund	Established Japan's first industry-academia collaborative GAP Fund in cooperation with the Tokyo Institute of Technology and Innovations and Future Creation Inc.
Dec. 2017	Alliance	XTIA (formerly Optical Comb)	Formed a business alliance for promoting sales of a non-contact 3D scanner employing Nobel Prize winning optical comb technology.
Feb. 2018	Investment	CREWT Medical Systems	Invested in the company, which developed "Aimo", the world's first head mounted visual field inspection device.
Mar. 2018	Investment	Lily MedTech	Invested in the company, which is developing a breast cancer inspection system using medical ultrasound technology.
Apr. 2018	Subsidiary	FUJITA	Capable of providing one-stop services, including everything from removal to buying of used medical equipment. The consolidation of FUJITA will enable us to develop new products and services.
June 2018	Investment	Exergy Power Systems	Invested in the company, which develops and manufactures next generation energy storage systems.
June 2018	Investment	MerryBiz	Invested in the company, which provides the accounting administrative services "virtual accounting assistants."
Oct. 2018	Subsidiary	INVOICE	Acquired the company that provides integrated billing services as a consolidated subsidiary to expand our services that contribute to improving our clients' productivity.
Mar. 2019	Investment	NExT-e Solutions	Invested in the company, which provides cutting-edge battery control devices and management systems.
Mar. 2019	Investment	Japanese Organization for Medical Device Development	Invested in the company, which provides support for the commercialization of state-of-the-art medical technologies.
May 2019	Investment	Synspective	Invested in the company, which offers one-stop solutions using satellite-based observation data.
Aug. 2019	Subsidiary	NOC Outsourcing & Consulting	Acquired the company, which offers a broad range of outsourcing services and has high-level consultancy functions, as a consolidated subsidiary and accelerated the expansion of BPO services.
Feb. 2020	Investment	Girasol Energy	Invested in the company, which develops maintenance management platforms for photovoltaic power generation equipment.
Mar. 2020	Investment	HiBot	Invested in the company, which develops robotics technologies used in extreme environments for infrastructure maintenance, piping inspections, etc.
Apr. 2020	Subsidiary	YAMATO LEASE	Expanded the business domains of logistics, transportation and used vehicles through the consolidation of the company, which mainly provides truck leasing and other financing services to transportation companies.
Apr. 2020	Investment	THINKCYTE	Invested in the company, which conducts research and development for a next-generation cell isolation system using AI.
Aug. 2020	Investment	Airbus Ventures Fund III LP	Invested in this fund, established to invest in venture companies with innovative technology in the aerospace field.
Oct. 2020	Investment	Tsubame BHB	Invested in the company, launched out of the Tokyo Institute of Technology to develop manufacturing technology for distributed production of ammonia under low-temperature, low-pressure conditions.
Nov. 2020	Investment	A.L.I. Technologies	Invested in the company, which develops and is expanding its business in industrial drone services and air mobility.
Dec. 2020	Investment	TELEXISTENCE	Invested in the company, which develops and is expanding its business in remote operated, artificial intelligence robots.
Jan. 2021	Investment	CB Holdings	Invested in the company, which engages in M&A in the medical, welfare and dispensing pharmacy industries, and provides opening support, management consulting and news distribution services.
Feb. 2021	Investment	ePlane	Invested in the company, which develops and operates a B2B marketplace for trading in aircraft parts.
Apr. 2021	Subsidiary	Nihon Credit Lease	Strengthened our service structure in the Medical & Welfare fields though the consolidation of the company, which provides centralized leasing and installment sales of nursing care, welfare and information equipment.

Core Areas

Domestic Corporate

In addition to conventional leases, such as for information and office equipment as well as commercial facility leases, we offer a wide range of services that include strategic financial solutions tailored to clients' needs.

FY 2020 Overview and Outlook

In fiscal 2020, we increased the number of joint venture (investment) type businesses with reliable partners, and through intra-group collaboration primarily in Strategic Areas, expanded the number of mainstay business partners. We also engaged in efficient sales activities utilizing the sales channels and know-how of each of our departments, among them considering collaboration with regional banks aimed at regional revitalization.

Growth Strategies ***Frontier Expansion*** **2021**

To further expand the number of partners who will become mainstays of our business, going forward we will focus our resources on transactions with customers with whom we can expect to develop future business, building a solid customer base. We will also strengthen our efforts to expand the joint venture (investment) type businesses we worked on this fiscal year, primarily New Domains such as the Mobility Business where our focus to date has been on collecting information.

Core Areas

Vendor Leases

As a partner to dealers of office, information, medical, and other equipment and machinery, we focus on providing financial service solutions that help vendors sell their products. We are continually working to enhance our ability to offer solutions, such as those designed to help companies provide services to the healthcare market, with the aim of creating new markets.

FY 2020 Overview and Outlook

In fiscal 2020, we aimed to improve profitability by instilling an awareness of operating asset profitability within the Company. We also worked to rebuild an efficient sales network by reviewing our sales organization, including optimizing the allocation of personnel on a Group basis, and make improvements from a cost perspective. Going forward, our goal is to balance both the quality and quantity of operating assets by increasing the volume of highly profitable assets.

Growth Strategies ***Frontier Expansion*** **2021**

We will boost the number of highly profitable transactions to further strengthen the profitability of businesses we have worked to improve under our Medium-term Management Plan. We will also continue to grow revenue from non-asset businesses while strengthening our organizational structure accordingly. In addition, we will move forward to study the creation of new businesses that will become growth drivers, such as platforms for the medical field, while also advancing the digitization of the vendor business to improve efficiency.

Core Areas

Financing

In addition to conventional corporate loans, we provide a wide array of services, including fund investments and business-related investments as well as investments and lending positioned as balance sheet solutions.

FY 2020 Overview and Outlook

As for fund investments, we continued moving forward to build a stable portfolio less susceptible to the impact of market conditions, investing in new stock issues and reworking our portfolio. In credit investments, we responded effectively to changing market conditions, primarily in domestic bonds, contributing to improved ROA.

Growth Strategies ***Frontier Expansion*** **2021**

Concerning fund investments, to ensure stable returns, we will continue to build a portfolio that is less susceptible to the effects of financial market conditions, including investments in illiquid funds. For credit investments, we will continue to invest in assets where a certain level of profit can be expected even in a challenging investment environment.

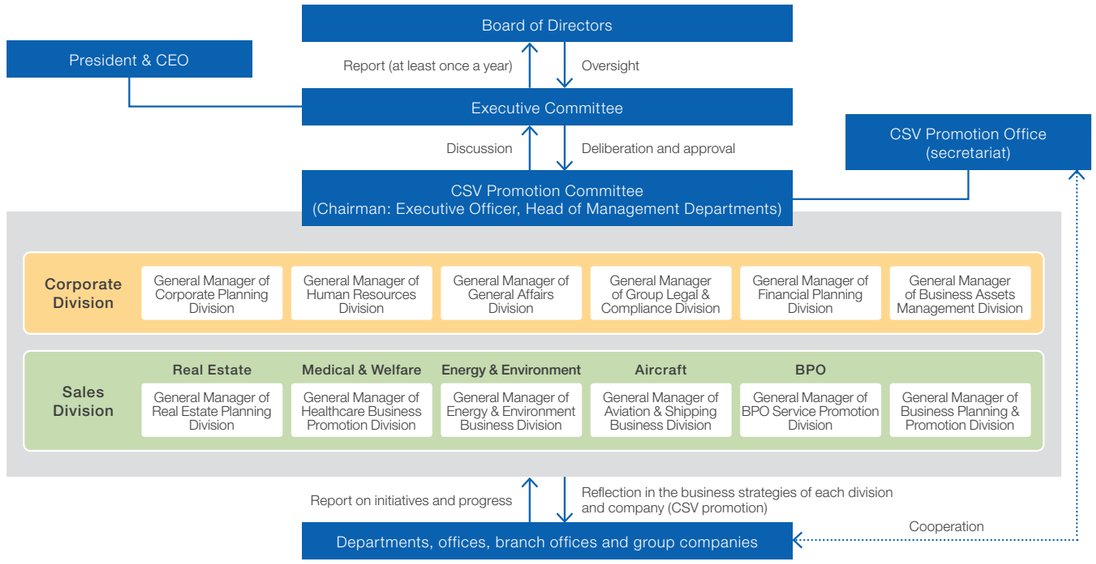
Systems that Support Sustainable Value Creation

The Fuyo Lease Group will strive to meet the expectations of society and its stakeholders, and to resolve the social issues exemplified by the SDGs, both by building a sustainable society through our business and achieving continuous growth. To that end, we see the concept of Creating Shared Value (CSV) as the foundation of our management principles, and we aim to strengthen CSV as a long-term strategy.

CSV Promotion System

In October 2020, the Group established a CSV Promotion Committee to promote the Group's CSV and sustainability efforts. The CSV Promotion Committee will formulate CSV and non-financial targets and plans, and will conduct monitoring related to progress in those areas. Matters discussed by and reported to the Committee will be submitted to the Executive Committee, and upon approval will be reflected in the Group's strategy. The Group's overall policy involving CSV and promotion status, will be reported to the Board of Directors at least once a year in an effort to enhance their effectiveness.

CSV Promotion Structure



Instilling Understanding among Employees

In order to conduct corporate activities centered around CSV over the long term, it is essential that all employees understand the kind of value creation the Group is working toward. To this end, in fiscal 2020 we held a series of CSV training programs ("Let's CSV!") for all Fuyo Lease employees. This three-part series began with an e-learning program for all employees, then continued with workshops conducted by outside instructors for management-level employees (directors and heads of departments, offices and branch offices), and finally workshops for all employees with heads of departments, offices and branch offices acting as instructors. We discussed the connection between our work and society, and methods of increasing social value. We plan to expand this training across the Group as a whole in fiscal 2021 and beyond.

Workshops for management-level employees

Workshops for all employees

Climate Change Initiatives

Basic Approach

In response to climate change issues, the Fuyo Lease Group is working to reduce greenhouse gas emissions from its own operations and support the decarbonization of our customers, recognizing the growing demand for renewable energy and environmentally friendly products and services as a business opportunity. (For more information, please see "CSV 1. Responding to Climate Change Issues and Renewable Energy" on P19).

In addition, as a measure to adapt to climate change, we are working to strengthen our resilience in the event of emergencies by advancing BCP measures that assume certain risks, including limitations on corporate activities due to an increase in natural disasters. We will actively work to mitigate and adapt to climate change and achieve sustainable growth.

Environmental Management

The Fuyo Lease Group is committed to reducing its environmental footprint through appropriate environmental management and building a circular society through its business operations. We have formulated an environmental philosophy and policy in order to engage the entire group into activities that address environmental issues. We have also acquired ISO14001*1 for the Group's major operating sites to operate management system for continuous improvement.

*1 ISO14001 certified sites: Fuyo General Lease's head office, Fuyo Lease Sales, Fuyo Network Service, FGL Group Business Service, and FGL Group Management Service

Environmental Philosophy

The Fuyo Lease Group constantly adopts environmentally-friendly business practices in order to realize a sustainable society and promotes activities to address environmental issues in line with its environmental policy.

Environmental Policy

01 Providing products and services that contribute to environmental conservation
We endeavor to provide products and services that contribute to environmental conservation by having each Group company leverage the characteristics of their business activities.

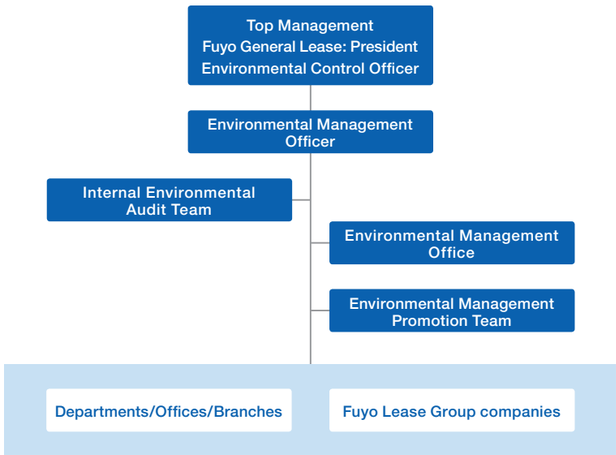
02 Promoting resource and energy saving activities
We are aware of the environmental burdens associated with business activities and endeavor to engage in resource and energy saving activities and green procurement.

03 Contributing to the development of a circular society
We promote the reuse and recycling of goods no longer leased, restrict the generation of waste, and ensure proper disposal of waste.

04 Complying with environmental laws
We comply with environment-related laws and agreements to which the Fuyo Lease Group has agreed.

05 Establishing an environmental management system
We promote continuous improvement of an environmental management system and set environmental targets as we endeavor to respond to climate change, prevent environmental pollution, and conserve biodiversity.

Environmental Management System



Medium to Long-Term Environmental Targets

The Fuyo Lease Group has set forth the use of renewable energy in its operations and the achievement of carbon neutrality by 2030 as its medium to long-term environmental targets, and we are advancing the decarbonization of our own business.

	2024		2030
RE100 Target*2	Renewable energy usage rate 50%	➡	Renewable energy usage rate 100%
CO_2 Emissions*2*3 (Scope 1,2)	Decrease from the FY 2020 level 30%	➡	Achieve carbon neutrality

*2 Scope covers Fuyo General Lease and its consolidated subsidiaries.
*3 Scope 1: Direct emissions from the use of fuel for company vehicles and city gas, Scope 2: Indirect emissions from the use of purchased electricity, etc.

Short-Term Environmental Targets

In fiscal 2020, the use of electricity and of fuel for sales vehicles fell significantly due to restrictions on working in the office and other effects of the COVID-19 pandemic. We will continue to promote energy conservation and CO_2 reduction under our environmental management system in fiscal 2021 and beyond.

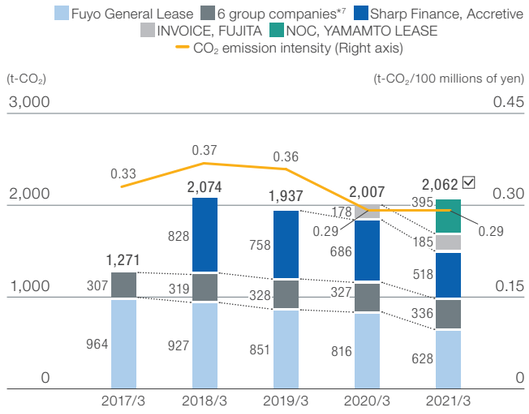
Objectives	Scope	FY 2020 targets	FY 2020 result	Evaluation	FY 2021 targets
Climate change initiatives	Fuyo General Lease & group companies*4	10.0% decrease from the FY 2013 level of CO_2 emissions (t-CO_2) (Scope 1& 2)	28.6% decrease from the FY 2013 level	○	5.0% decrease from the FY 2020 level of CO_2 emissions (t-CO_2) (The scope of coverage was expanded to include Fuyo General Lease and its consolidated subsidiaries.)
Promote energy conservation	Fuyo General Lease & group companies*4	5.0% decrease from the FY 2013 level of electricity consumption (kWh)	13.4% decrease from the FY 2013 level	○	5.0% decrease from the FY 2013 level of electricity consumption (kWh)
		10.0% decrease from the FY 2013 level of gasoline and diesel consumed by company vehicles (L)	47.7% decrease from the FY 2013 level	○	10.0% decrease from the FY 2013 level of gasoline and diesel consumed by company vehicles (L)
Comply with environmental laws and regulations	Fuyo General Lease & group companies*4	Assess compliance with environmental laws and regulations	Conducted compliance assessment. No non-compliance found	○	Assess compliance with environmental laws and regulations

*4 Scope: all domestic locations of Fuyo General Lease and group companies including Fuyo Auto Lease, Fuyo Network Service, Aqua Art, Fuyo Lease Sales, FGL Group Business Service and FGL Group Management Service

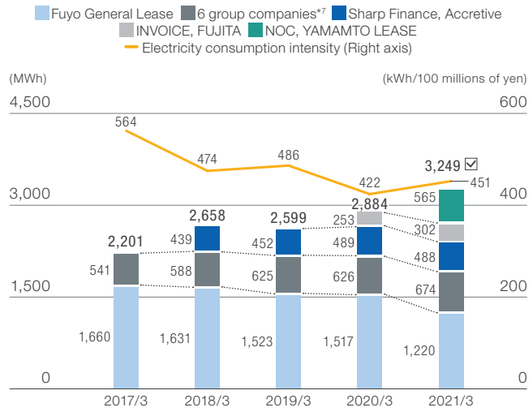
Environmental Data

While our CO_2 emissions (Scope 1,2) and the amount of electric consumption has increased as the Group has grown, both are trending downward on an intensity basis. We will continue to push forward with group-wide energy conservation measures, including a shift to renewable energy and the deployment of electric vehicles (EVs) and fuel-cell vehicles (FCVs), as we work to reduce greenhouse gases.

CO_2 Emissions (Scope 1,2)*5*6 /CO_2 Emission Intensity



Electricity Consumption*6



*5 Total CO_2 emissions were calculated with the emission factors specified by the government based on the Ministerial Ordinance Concerning GHG emissions Associated with Business Activities of Specified Emitters (The emissions associated with electricity are calculated based on the emission factor issued by power transmission and distribution business operators of where our regional operations and offices are located). Fuyo General Lease and the group companies are not included in specified emitters.
*6 Data coverage: all domestic locations of Fuyo General Lease, Fuyo Auto Lease, Sharp Finance, Accretive, INVOICE, NOC Outsourcing & Consulting, YAMATO LEASE, FUJITA, Fuyo Network Service, Aqua Art, FGL Group Business Service, FGL Group Management Service. For group companies, figures prior to the start of data collection are not included.
*7 6 group companies: all domestic locations of Fuyo Auto Lease, Fuyo Network Service, Aqua Art, Fuyo Lease Sales, FGL Group Business Service, and FGL Group Management Service.

Human Resource Management Strategies for Value Enhancing

Basic Approach

The Fuyo Lease Group believes that people are our greatest asset. We also believe it is important to respect each individual and their personalities, and to enable them to grow through their jobs and lead rich, full lives, both emotionally and physically while feeling their work is satisfying and has meaning.

As we encourage the growth of each individual employee, maximizing their talents and capabilities, this in turn allows us to simultaneously enhance corporate value and create social value, which we believe will lead to sustainable growth for the Group.

The Group expects its employees to each think and act proactively on their own, to be eager to grow and independent. In addition, we will work to create a work environment, including diversity, that supports our employees' growth and thus enhances corporate value, while also focusing on human resource development.

To advance these efforts, the Group emphasizes securing, developing, and engaging with our employees, and have positioned these as pillars of our human resource strategy.

Efforts to Promote Diversity

The Fuyo Lease Group believes that diversity is a key growth driver. Bringing together different strengths, viewpoints and values generates the innovation that creates new value, and leads to sustainable growth for the Group. To accomplish that, we are working to promote diversity with the goal of creating a workplace where every employee can maximize their full potential, regardless of age, sex, nationality, sexual orientation, gender identity, race, ethnicity or disability.

Given a background of a shrinking productive workforce and the need to respond to diversifying market needs, the Group considers empowering women in the workplace to be a particularly important management priority. To secure talented human resources, we have worked on measures to promote roles for women aimed at creating an environment in which, more than ever, women can demonstrate their abilities and play an active role.

In fiscal 2017, we received the special Platinum Kurumin certification. Since then, we joined "the Ikuboss Corporate Alliance," which is a network of businesses seeking to develop the next generation of model leaders ("Ikuboss"), and revised various rules to make it easier for male employees to take childcare leave.

Under our action plan launched in fiscal 2020, based on the Women's Advancement Promotion Law, we have set new

targets—including "a ratio of female employees hired of 40% or more," and "a ratio of female employees in management positions of 30% or more"—and have begun a variety of measures aimed at achieving them. Specifically, we are moving forward with initiatives that strongly support women's advancement, including an expansion of seminars at women's colleges and efforts to promote follow-up with women in managerial career track positions. To encourage women to elevate their careers, we are also providing more opportunities for them to interact with a diversity of role models, including by holding informal exchanges with executives and division heads and career lectures and dialogues with female business leaders, as we work to nurture this culture.

Efforts to Promote Work-Life Balance

The Fuyo Lease Group believes that creating a work environment in which employees can be healthy, safe and can work with energy and enthusiasm leads to a more vital, productive organization. We are striving to build a better working environment where all employees can find their own optimal work-life balance and enhance the quality of both life and work by maintaining and improving their health, gaining new knowledge and experiences and attaining personal growth. In addition, we believe that investing in the health of our employees—efforts to maintain and improve their health—is an investment in human capital on par with investing in education. We are thus promoting health and productivity management as part of a strategic approach to managing employee health based on a management perspective.

We have established specific programs aimed at creating a better workplace, including Refresh Days (leave work early days) and a flexible hours program, where employees can flexibly choose their start and end times in addition to their regular working hours. These programs were designed to remedy long working hours and create an environment in which employees can work according to their own lifestyles regardless of the reason, whether childcare or nursing care. We also introduced +Friday (Plus Friday) an original program based on a recommendation from our employee participation working group that allows employees to choose one Friday each month when they can work just a half day.

In fiscal 2020 we also introduced a hourly based annual leave and established rules for telecommuting to allow for even more flexible work styles, as we advanced efforts to meet the needs of the times.

Promoting Autonomous Growth and a Rewarding Workplace Environment

At Fuyo Lease, our basic approach to our performance evaluation system is to evaluate individual employees fairly and equitably for their accomplishments, skills development and efforts to realize the goals specific to their roles. Through feedback from the evaluator, employees can clarify their strengths and issues and set new goals, which in turn leads to autonomous growth. To encourage that kind of growth, in fiscal 2018 we introduced a new internal job application system, followed in fiscal 2021 by our job free-agent system; open internal recruitment (the Job FA System), supporting individual employees in their efforts to create their own career plans.

Additionally, our Challenge of the Year program, established in fiscal 2018, recognizes the challenging new initiatives and attitudes toward challenges taken on by employees who embody our corporate slogan of "Go where no one has gone before." In fiscal 2019 we also revised our human resource system and are striving to create a rewarding workplace environment by putting in place a balanced, detailed pay structure that relies not on seniority, but emphasizes each employee's expected roles and demonstrated ability.

Human Resource Development

As the needs of our customers gradually change, diversify and become more sophisticated, each of our employees is expected to "think for themselves and make the right choices" on the spot in order to achieve the mission assigned to them.

We believe learning the correct fundamentals, as well as practical on-the-job training (OJT), are the foundation of cultivating this ability to "think for oneself and make the right choices." We thus offer group training across a wide range of employee levels in laws, taxes and accounting, finance, financial analysis, product knowledge and thought-based business skills. We also emphasize each employee's efforts to pursue professionalism and take the initiative to develop their own abilities, and offer a varied menu of support for self-improvement. Our "+ Friday Seminars," newly established in fiscal 2021, cover a wide range of topics, including the latest business information, general education and health, and aim to promote a habit among employees, regardless of age or position, of using their free time to learn for themselves. In addition, in cases where the COVID-19 pandemic makes it difficult to hold group training, we have created an environment where employees can continue to enjoy opportunities to learn via online training and on-demand viewing of training videos.

In the second half of fiscal 2019, we also introduced coaching training for management-level employees, designed to strengthen guidance and development in cultivating the ability to "think, judge and act on one's own," and, as an organization, to pass on human resource development practices to the next generation. Those who have completed a six-month cycle of training and practice are granted our internal coaching qualification. In addition to teaching, we encourage the growth of each employee through coaching and development, as we aim to create an organization that maximizes diverse talents and capabilities.

Engagement

The Fuyo Lease Group defines engagement as "a relationship in which each employee links the growth of the company with his or her own growth, and contributes to their mutual growth." Indicators of engagement are measured through employee satisfaction surveys.

We consider enhancing engagement to be important in improving corporate value and creating social value, and will implement measures to increase engagement through dialogue with our employees.

Employee Data*1

	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Retention rate of employees after 3 years (%)	100	85.7	100	94.3☑	-	-
Turnover rate (%)*2	0.8	1.0	1.9	1.9	1.8	1.7☑
Rate of taking annual paid leave (%)	61.9	68.9	68.0	68.4	66.3*3	72.0☑
Number of female managers (persons)	27	29	32	36	79*4	114☑
Percentage of female employees in management positions (%)	9.0	9.1	9.9	11.5	19.6*4	25.1☑
Employment rate of the disabled (%)	1.8	2.2	2.3	2.3	2.1	2.4☑

*1 Scope: Fuyo General Lease (non-consolidated)
*2 Turnover rate includes separations due to personal reasons, reaching retirement age, and other reasons including transfer. It does not include separations of reemployed workers due to the expiration of their contract terms.
*3 Due to restrictions on the number of employees coming to work in conjunction with the spread of COVID-19, actual data on paid leave for eight Fuyo General Lease (USA) Inc. employees is not included.
*4 In July 2019, our human resources system was revised to classify senior leaders (a position equivalent to the position of section chief) as managers. As a result, the number of female managers and the percentage of female employees in management positions increased year on year.

Community Engagement

Basic Approach

Recognizing close ties with its neighbors, the Fuyo Lease Group hopes to grow together with them, while being a good corporate citizen who contributes to the development of local communities. The Group has formulated a CSR policy and is conducting CSR activities that make best use of its knowhow, products, and services focusing on the environment, community engagement, academia and research, and assistance to disaster-affected areas.

Environmental and Community Engagement

Aqua Art, a group company, provides decorative interior aquariums for rent. Replicating a natural ecosystem in these tanks promotes purification of the water and minimizes water use. To also minimize the impact on the environment and the ecosystem, fish and aquatic plants are procured through aquaculture farms, and the company is also working to breed these itself. As part of a biodiversity conservation project, in 2020 the company also succeeded in breeding the Japanese rosy bitterling, a freshwater fish endemic to Japan that has been designated as an endangered species.

These aquariums also serve as a teaching tool that enables people to learn about the mechanisms of the natural world. Out of a wish to bring smiles and comfort to children with these aquariums, Aqua Art donates (rents for free) them to nursery schools and maternal and child living support facilities, and also holds regular visiting lectures at facilities to which aquariums have been donated, offering children an opportunity to learn about the environment and ecosystem.

Fuyo Lease and Aqua Art also hold an annual aquarium design contest jointly with TOKYO DOME HOTEL CORPORATION. Students majoring in art and design at Tokyo Metropolitan Kogei High School and Tokyo Designer Gakuin College, as well as students studying to become aquarists at TCA Tokyo College of ECO & Animals, design and decorate aquariums which are then exhibited at the entrance and lobby of the Tokyo Dome Hotel. During the exhibition period, a contest is held in which visitors to the hotel vote for their favorite.

Japanese rosy bitterling laying eggs

Children cheerfully responding during a visiting lecture (FY2019)

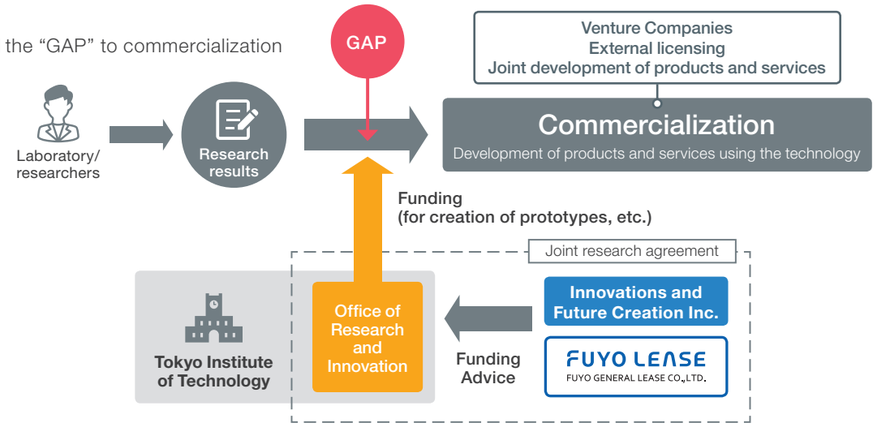
Contribution to academia and research

In October 2017, Fuyo Lease established Japan's first industry-academia collaborative GAP Fund in cooperation with the Tokyo Institute of Technology and Innovations and Future Creation Inc.

In general, commercializing the results of university research requires additional costs outside of research expenses, including the cost of additional testing, creation of prototypes and customer interviews. However, since the research expenses and subsidies contributed by universities are limited to academic purposes, there is a "GAP" in funding between basic research and commercialization. The GAP Fund is intended to fill this funding gap and support commercialization of research results. Fuyo Lease continues to provide funding for the GAP Fund, participate in the selection of eligible projects, and support the commercialization of advanced technology.

GAP Fund

A fund intended to fill the "GAP" to commercialization



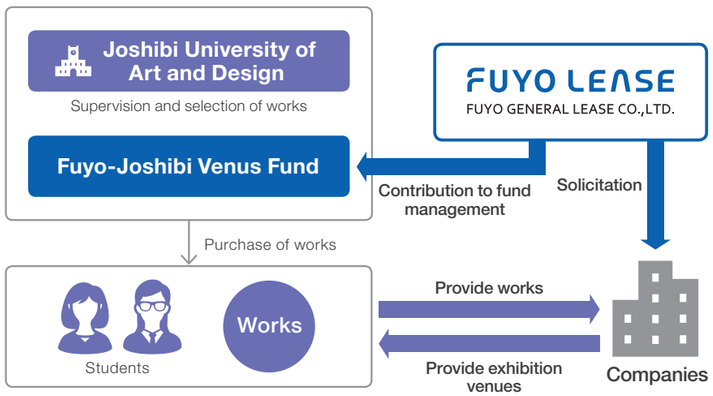
Contributions to Culture and the Arts

In June 2021, we established the Fuyo Joshibi Venus Fund with Joshibi University of Art and Design to support students aiming to become artists.

Students at art colleges who seek to enter society as artists, designers and creators need opportunities for more people to learn about their work. Through ongoing funding provided to this fund over a period of ten years, Fuyo Lease will purchase works created by students at Joshibi University of Art and Design, while also working to provide numerous venues for the works to be exhibited by leveraging our relationships with our customers and many other companies. By communicating these works to the wider world—works that until now had been held by individuals or limited to on-campus exhibits—we will support these students in moving a step closer to their dreams.

Our goal is to contribute to the advancement of art and culture in Japan by actively supporting students seeking to become artists through promotion of this fund, and by giving new art back to society.

Fuyo-Joshibi Venus Fund



(Left) Yasunori Tsujita, President of Fuyo Lease
(Right) Chairman Fukushita, Joshibi University of Art and Design

Board Members

As of June 23, 2021

Directors

Takashi Sato

Director and Chairman

- Apr. 1977 Joined The Fuji Bank, Limited
- Mar. 2006 Managing Executive Officer of Mizuho Corporate Bank, Ltd. (retired in March 2009)
- May 2009 Deputy President and Executive Officer of the Company
- June 2009 Director and Deputy President
  Deputy President and Executive Officer
  Representative Director
- Nov. 2009 President and Chief Executive Officer
  President and Executive Officer
- Apr. 2016 Director and Chairman
- June 2021 Director and Chairman (current position)
  To present

Yasunori Tsujita

President and Chief Executive Officer
(Representative Director)

- Apr. 1981 Joined The Fuji Bank, Limited
- June 2013 Deputy President-Executive Officer, Member of the Board of Directors (Representative Director) of Mizuho Financial Group, Inc. (until June 2014)
- Nov. 2013 Deputy President-Executive Officer, Member of the Board of Directors of Mizuho Bank, Ltd. (until March 2015)
- June 2014 Member of the Board of Directors and Deputy President and Executive Officer (Representative Executive Officer) of Mizuho Financial Group, Inc. (until March 2015)
- Apr. 2015 Member of the Board of Directors (retired in June 2015)
- May 2015 Deputy President and Executive Officer of the Company
- June 2015 Director and Deputy President
  Deputy President and Executive Officer
  Representative Director
- Apr. 2016 President and Chief Executive Officer
  President and Executive Officer (current position)
  To present

Shozo Kazama

Director and Deputy President
(Representative Director)

- Apr. 1979 Joined The Fuji Bank, Limited
- Mar. 2006 Executive Officer, General Manager of Shinbashi Branch of Mizuho Bank, Ltd.
- Apr. 2009 Managing Executive Officer, General Manager of Business Unit of Mizuho Research Institute Ltd. (retired in April 2010)
- May 2010 Senior Managing Executive Officer of the Company
- June 2010 Senior Managing Director and Senior Managing Executive Officer
- Apr. 2014 Representative Director
- Apr. 2018 Director and Deputy President
  Deputy President and Executive Officer (current position)
  To present

Hiroaki Oda

Director and Deputy President
(Representative Director)

- Apr. 1986 Joined The Fuji Bank, Limited
- May 2009 General Manager of Kanda Corporate Division of Kanda Branch of Mizuho Bank, Ltd.
- June 2011 General Manager of Kudan Division No.1 of Kudan Branch
- Apr. 2013 General Manager of Corporate Banking Division No.11 of Mizuho Corporate Bank, Ltd.
- Apr. 2014 Executive Officer, General Manager of Corporate Banking Division No.11 of Mizuho Bank, Ltd. (retired in April 2016)
- May 2016 Managing Executive Officer of the Company
- Apr. 2021 Deputy President and Executive Officer
- June 2021 Representative Director
  Director and Deputy President
  Deputy President and Executive Officer (current position)
  To present

Soichi Hosoi

Senior Managing Director

- Apr. 1983 Joined The Fuji Bank, Limited
- Apr. 2013 Executive Officer, General Manager of Financial Planning Division of Mizuho Financial Group, Inc. (retired in April 2014)
  Executive Officer, General Manager of Financial Planning Division of Mizuho Bank, Ltd. (retired in April 2014)
  Executive Officer, General Manager of Financial Planning Division of Mizuho Corporate Bank, Ltd. (until July 2013)
- Apr. 2014 Managing Executive Officer of the Company
- June 2014 Managing Director and Managing Executive Officer
- Apr. 2020 Senior Managing Director and Senior Managing Executive Officer (current position)
  To present

Keiji Takada

Senior Managing Director

- Apr. 1984 Joined The Fuji Bank, Limited
- May 2010 General Manager of Corporate Banking Division No.13 of Mizuho Corporate Bank, Ltd. (retired in March 2012)
- Apr. 2012 General Manager of Corporate Business Division of the Company
- Apr. 2014 Executive Officer, General Manager of Corporate Business Division
- Apr. 2016 Managing Executive Officer
- Apr. 2020 Senior Managing Executive Officer
- June 2020 Senior Managing Director and Senior Managing Executive Officer (current position)
  To present

Seiichi Isshiki

Director Outside Independent

- Apr. 1972 Joined Nippon Oil Corporation
- Apr. 2008 Representative Director of ENEOS Celltech Co., Ltd.
- June 2012 Representative Director, President of JX Nippon Oil & Energy Corporation (currently ENEOS Corporation)
  Director of JX Holdings, Inc. (currently ENEOS Holdings, Inc.)
- June 2014 Advisor of JX Nippon Oil & Energy Corporation (currently ENEOS Corporation) (retired in June 2016)
- June 2015 Director of the Company (current position)
  To present

Hideo Ichikawa

Director Outside Independent

- Apr. 1975 Joined Showa Denko K.K.
- Jan. 2011 Representative Director, President, Corporate Officer and Chief Executive Officer (CEO)
- Jan. 2017 Representative Director, Chairman of the Board
- June 2018 Director of the Company (current position)
- Mar. 2020 Director, Chairman of the Board of Showa Denko K.K. (current position)
  To present

Masayuki Yamamura

Director Outside Independent

- Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation
- June 2008 Executive Vice President, General Manager of Tokyo Branch of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION
- June 2009 Executive Vice President, Senior Executive Manager of Network Business Headquarters
- June 2012 President, Representative Director
- June 2018 Counselor to the President (current position)
- June 2019 Director of the Company (current position)
  To present

Hiroko Matsumoto

Director Outside Independent

- Apr. 1983 Joined Toshiba Corporation
- Apr. 2012 Head of Strategic Design Promotion Division of Design Center (retired in March 2014)
  Specially appointed professor at Joshibi University of Art and Design
- Apr. 2014 Professor (current position)
- June 2015 Director of Aisys, Inc. (retired in May 2019)
- June 2017 Head of Career Support Center of Joshibi University of Art and Design (retired in May 2019)
- June 2019 Head of College of Art and Design (retired in May 2021)
  Administrator (current position)
- June 2021 Vice-President (current position)
  Head of Research Institute (current position)
  Director of the Company (current position)
  To present

Auditors

Shigeru Suda

Full-time Audit & Supervisory Board Member

- Apr. 1981 Joined the Company
- Aug. 1999 General Manager of International Division
- Mar. 2009 General Manager of Internal Audit Division
- June 2017 Full-time Audit & Supervisory Board Member of the Company (current position)
  To present

Yoshito Tsuruta

Full-time Audit & Supervisory Board Member

- Sep. 1988 Joined the Company
- Apr. 2008 General Manager of Finance Division
- Apr. 2015 Executive Officer, General Manager of Finance Division
- June 2020 Full-time Audit & Supervisory Board Member (current position)
  To present

Takashi Yonekawa

Audit & Supervisory Board Member
Outside Independent

- Apr. 1982 Joined Yasuda Fire and Marine Insurance Co., Ltd. (currently Sompo Japan Insurance Inc.)
- Apr. 2016 Director, Managing Executive Officer, Head of Kansai Division I of Sompo Japan Nipponkoa Insurance Services Inc. (currently Sompo Japan Insurance Inc.)
- Apr. 2018 Senior Executive Officer, Head of Kansai Division I
- Apr. 2020 Vice-President and Executive Officer, Sompo Japan Insurance Inc. (retired in June 2020)
- June 2020 Audit & Supervisory Board Member of TPR Co., Ltd. (current position)
- July 2020 President of Yasuda Nipponkoa Health Insurance Union (current position)
  Chairman of Tokyo Federation of National Federation of Health Insurance Societies (current position)
- June 2021 Outside Audit & Supervisory Board Member of the Company (current position)
  To present

Hiroshi Imoto

Audit & Supervisory Board Member
Outside Independent

- Apr. 1981 Joined the Export-Import Bank of Japan (currently the Japan Bank for International Cooperation)
- Oct. 2008 General Manager of International Management and Planning Division and Manager of International Management and Planning Division's Management and Planning Office of Japan Bank for International Cooperation
- Jan. 2011 Director General for Western Japan
- July 2011 Western Japan Representative for Industry Finance Department
- Apr. 2012 Full-time Corporate Auditor of Japan Bank for International Cooperation (retired in June 2016)
- June 2021 Outside Audit & Supervisory Board Member of the Company (current position)
  To present

Corporate Governance

Our Approach to Corporate Governance

The Fuyo Lease Group places strong emphasis on creating and maintaining relationships with all stakeholders, including shareholders, customers, employees, and local communities. We believe that the fundamental objective of corporate governance is to perform business activities with sincerity and fairness in line with our management philosophy.

To achieve sustainable growth and increase corporate value over the medium to long term, we have established our own Corporate Governance Guidelines which align with the purpose and spirit of the Japan's Corporate Governance Code. These Guidelines serve as the foundation for our corporate governance framework, operating policies and other management policies, to which we adhere in everything we do.

Corporate Governance Structure

Fuyo Lease has established a Board of Corporate Auditors, which includes two outside corporate auditors who are independent from our company. In addition, in order to enhance the supervisory function of the Board of Directors, we have also appointed four independent outside directors, who provide oversight and advice on the execution of business operations from an external perspective.

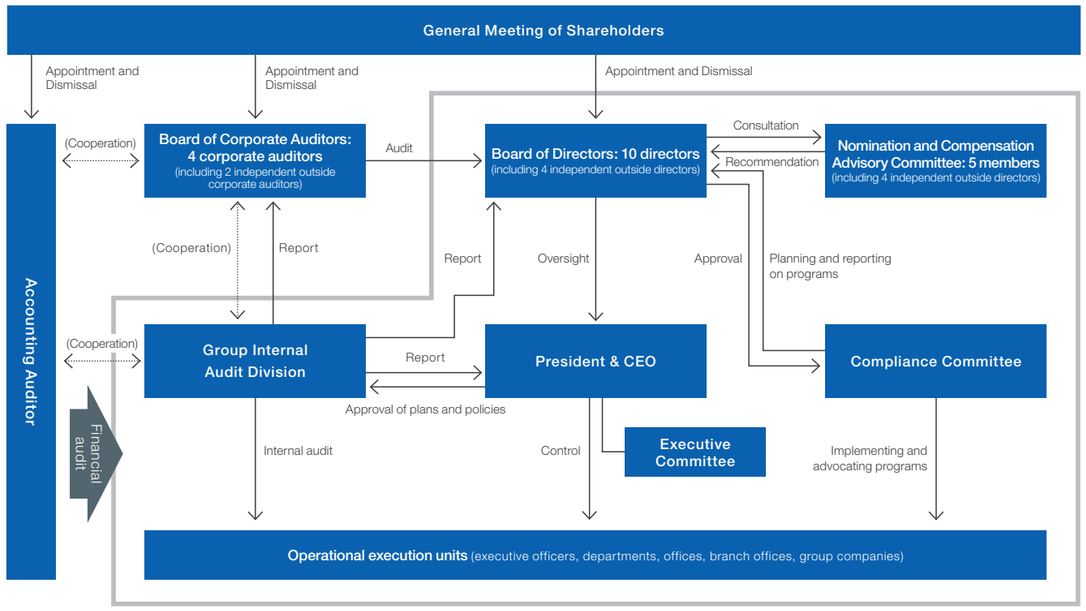
Furthermore, to improve management efficiency and expedite decision-making by separating the management oversight function from the execution of operations, we have adopted the executive officer system.

Strengthening Corporate Governance

Fuyo Lease has implemented various initiatives aimed at strengthening corporate governance.

Year	Initiative	Objective
2008	● Introduced performance-based compensation and stock compensation type stock options	● To strengthen links between directors' remuneration and their performance and shareholder value
2011	● Reduced the term of office of a director from two years to one year	● To increase opportunities to build shareholder confidence
2015	● Increased the number of independent outside directors from one to two	● To strengthen the management oversight structure
	● Established the Corporate Governance Guidelines	● To comply with the Japan's Corporate Governance Code
	● Set up the Nomination and Compensation Advisory Committee	● To ensure independence and objectivity in the decision-making process for matters such as appointments and remuneration
2016	● Started analyzing and evaluating the overall effectiveness of the Board of Directors	● To verify the effectiveness of the roles and functions of the Board of Directors and to make ongoing improvements
2018	● Increased the number of independent outside directors from two to three	● To strengthen the management oversight structure
	● Introduced a stock compensation plan (Board Benefit Trust, BBT) ● The base index for calculation of performance-based compensation was changed to key performance indicators for the Medium-term Management Plan (Operating assets, Ordinary profit, and ROA on a consolidated basis) ● Revised Corporate Governance Guidelines	● To strengthen links among the directors' remuneration, shareholder value, and achievement status of the Medium-term Management Plan ● To comply with the revised Japan's Corporate Governance Code
2019	● Released an English version of the Corporate Governance Report ● Began reporting annual internal audit results and annual plans and policies to the Board of Directors	● To enhance external disclosure related to corporate governance ● To expand reporting lines for internal audits
2021	● Increased the number of independent outside directors from three to four	● To strengthen the management oversight structure

Corporate Governance Structure



Board of Directors

The Board of Directors consists of ten directors, including six internal directors and four independent outside directors, with independent outside directors accounting for more than 1/3 of the Board of Directors. The Board of Directors deliberates and makes decisions on important management issues, as well as matters specified in laws and regulations, the Articles of Incorporation, and the Regulations governing the Board of Directors. The Board of Directors also oversees the execution of operations by Directors and Executive Officers.

In FY 2020, the Board of Directors met 12 times.

Nomination and Compensation Advisory Committee

Fuyo Lease has set up the Nomination and Compensation Advisory Committee as an advisory body of the Board of Directors in order to eliminate arbitrariness in decision-making processes and to maintain a highly transparent management structure. The committee consists of five members, including four independent outside directors and an internal director. The committee mainly deliberates on topics such as nominating or removing of candidates for directors and corporate auditors, remuneration of directors, succession planning, and analysis and evaluations of the overall effectiveness of the Board of Directors, and reports its findings to the Board of Directors.

In FY 2020, the Nomination and Compensation Advisory Committee met two times.

Board of Corporate Auditors

Our Board of Corporate Auditors is composed of four auditors, including two full-time and two part-time auditors who are also independent outside corporate auditors. According to the audit plan formulated by the Board of Corporate Auditors, each corporate auditor audits execution of operations by directors by attending important meetings, reviewing important documents, examining operations and assets, and reviewing the audit findings of the independent accounting auditor and the internal audit department among other relevant activities. Corporate auditors closely work with the Internal Audit and Internal Control Departments to conduct audits in order to enhance audit quality.

At the request of the corporate auditors, an employee (a staff member from the Group Internal Audit Divison) has been appointed to assist them.

In FY 2020, the Board of Corporate Auditors met 11 times.

Executive Committee

The Executive Committee is composed of Executive Officers with positions of Managing Executive Officer or higher, the heads of the Corporate Planning Division, Human Resources Division, and Business Planning & Promotion Division as well as the presidents of affiliated companies. Full-time corporate auditors also attend meetings of the Committee on a regular basis.

As a general rule, the Executive Committee meets at least once a month to make decisions on operating activities and implementation of measures delegated to the President & CEO, and to discuss important issues concerning internal controls. Its aim is to improve the quality of management decisions and to speed up decision-making.

In fiscal 2020, the Executive Committee met 18 times.

Compliance Committee

Fuyo Lease has set up a Compliance Committee chaired by the Chief Compliance Officer and vice chaired by the Group Legal and Compliance Division Officer. The heads of relevant planning and administrative departments, the heads of relevant departments of domestic and overseas subsidiaries serve as full-time committee members, and outside lawyers serve as outside members. The Compliance Committee meets quarterly to discuss issues related to the promotion of compliance, including the formulation of the compliance program (annual plan). Based on its discussions the Committee submits reports to the Board of Directors and the Executive Committee, and takes measures to develop and enhance compliance systems.

Attendance at Board and Committee meetings (attendance in FY 2020 by board members, as of June 23, 2021)

Name	Position	Attendance at Board meetings, etc.	
Takashi Sato	Director and Chairman	12/12	
Yasunori Tsujita	President and Chief Executive Officer (Representative Director), Chairman of the Nomination and Compensation Advisory Committee	12/12	Nomination and Compensation Advisory Committee: 2/2
Shozo Kazama	Director and Deputy President (Representative Director)	12/12	
Hiroaki Oda	Director and Deputy President (Representative Director)	-	(Elected in June 23, 2021)
Soichi Hosoi	Senior Managing Director	12/12	
Keiji Takada	Senior Managing Director	10/10	(Elected in June 23, 2020)
Seiichi Isshiki	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	12/12	Nomination and Compensation Advisory Committee: 2/2
Hideo Ichikawa	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	12/12	Nomination and Compensation Advisory Committee: 2/2
Masayuki Yamamura	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	12/12	Nomination and Compensation Advisory Committee: 2/2
Hiroko Matsumoto	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	-	(Elected in June 23, 2021)
Shigeru Suda	Full-time Audit & Supervisory Board Member	12/12	Board of Corporate Auditors: 11/11
Tsuruta Yoshito	Full-time Audit & Supervisory Board Member	10/10	Board of Corporate Auditors: 8/8 (Elected in June 23, 2021)
Takashi Yonekawa	Outside Audit & Supervisory Board Member (Independent Director)	-	(Elected in June 23, 2021)
Hiroshi Imoto	Outside Audit & Supervisory Board Member (Independent Director)	-	(Elected in June 23, 2021)

Initiatives to Improve the Effectiveness of the Board of Directors

Stimulating discussion at Board meetings

Fuyo Lease is engaged in various initiatives to ensure active and substantial discussions at Board meetings. We have established a structure so that we can discuss topics thoroughly at Board meetings, including prioritizing matters for resolution and expanding the scope of matters for reporting, briefing outside directors in advance, providing minutes of Executive Committee meetings and other relevant materials to outside directors, and having presidents of major subsidiaries attend meetings to brief directors in person on business conditions.

Analysis and Evaluation of the Effectiveness of the Board of Directors

At Fuyo Lease, we analyze and evaluate the overall effectiveness of the Board of Directors every year. The Board of Directors makes further efforts to enhance its functions in light of the results of the analysis and evaluation with the aim of continually improving its effectiveness.

The results of the analysis and evaluation for fiscal 2020 are as follows.

Evaluation process (corporate lawyer assists the secretariat)

Assessment Criteria

We administer surveys about the Board of Directors in general, with 25 questions covering 5 categories: 1) structure of the Board, 2) role of the Board, 3) how the Board is run, 4) support system for outside directors, and 5) overview. There is a "remarks" column for each question so that respondents can voice their opinions freely.

Results

While the Board of Directors met all evaluation criteria, including size, composition, functions and roles, as well as operation, and was found to be effective, we concluded that we must still steadily implement measures to improve the functions of the Board of Directors, make those activities part of our daily operations, and continually review the Board's functions.

Progress on issues identified last fiscal year

Analysis and Assessment for last fiscal year (i)

Revitalization of discussions at Board meetings: We decided to enhance the content of discussions on progress reports relating to the Medium-term Management Plan by business area by including reports on group companies. We also began reporting on the risk management capital status and providing more detailed Executive Committee minutes to outside directors so that they could experience the discussions as if they had attended.

Analysis and Assessment for last fiscal year (ii)

Further reflection of the perspectives of CSV and environment, social, and governance (ESG): We established the CSV Promotion Committee and made arrangements for it to report the results of discussions to the Board of Directors from the first half of fiscal 2021. We also explained to outside directors the Group's progress with CSV management to share awareness.

Analysis and Assessment for last fiscal year (iii)

Further improvement of information provided to outside directors: In addition to keeping outside directors informed of the impact of COVID-19 on our business, we have set up a system for receiving questions on matters of interest to outside directors, provide answers at appropriate times and offer third-party workshop opportunities to outside directors.

Newly identified issues

These include further improvement of the diversity, specialist knowledge, and oversight functions of members of the Board of Directors, deepening CSV management on a group basis, and further improvement of information provided to outside directors.

Board Remuneration

The Board of Directors of Fuyo Lease has passed a resolution on the Company's policy regarding how to determine individual remuneration, etc. for directors. Fuyo Lease believes that enhancing the link between shareholder value and remuneration of Board of Directors will boost their morale and motivate them to improve our financial performance and share price, leading us towards our goals of ensuring stable performance and growth, while enhancing our corporate value. That is why we have introduced variable pay programs such as performance-based compensation and stock compensation in addition to a base salary, which is provided as fixed compensation.

We determine base salaries in the light of our employees' salaries, average market salaries for directors, our financial standing, and other relevant factors.

The actual amount of performance-based compensation is based on our consolidated performance as well as an individual director's contribution to our financial performance among other factors. The indicators for performance-based compensation are operating assets, ordinary profit, and ROA on a consolidated basis, which are key performance indicators for the Medium-term Management Plan. As resolved by the Board of Directors, the President & Chief Executive Officer is delegated to determine details regarding the amounts and timing of performance-based compensation.

The stock compensation plan (Board Benefit Trust, BBT) is designed to motivate Board members to help boost our company's performance and corporate value over the medium to long-term by making the link between their compensation and our equity value clearer. Under this compensation plan, the Company's shares are acquired by a trust using funds contributed by the Company, and the directors will be provided, on their retirement, with the Company's shares (in lieu of the provision of the Company's shares, an amount equivalent to the market value of the Company's shares for a specified proportion, if the requirements specified in "Regulations for Provision of Shares to Officers" are met) in accordance with the Regulations for Provision of Shares to Officers approved by the Board of Directors.

The ratio between the base salary and the variable pay plan is set at 1 to 0.6 based on the average compensation ratio used by listed companies. The variable pay plan consists of performance-based compensation and stock compensation, and the ratio between the two is set at 5 to 7 in light of the characteristics of the revenue structure of the leasing business to provide higher incentives on a medium to long-term basis.

Directors' compensation is discussed by the Nomination and Compensation Advisory Committee in order to ensure transparency and objectivity in determining the amounts. Compensation for outside directors and corporate auditors consists only of fixed compensation because performance-based compensation and equity compensation are not really applicable.

The company prescribes malus provision providing that if a director causes significant damage to the Company or engages in inappropriate conduct, the director's base salary or performance-based compensation will be reduced or the director will not be paid and the director will no longer be eligible to receive stock compensation.

Board Remunerations (FY 2020)

Officer classification	Total amount (millions of yen)	Breakdown of remunerations (millions of yen)			Number of directors
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors	324	208	48	66	9
(Outside Directors)	(36)	(36)	(-)	(-)	3
Board of Corporate Auditors members	66	66	(-)	(-)	5
(Outside Auditors)	(21)	(21)	(-)	(-)	2

Notes: 1. The above performance-linked remuneration comprises the amount, which shall be recorded in fiscal 2020.
2. Non-monetary remuneration is a stock benefit trust (BBT). The amount of the BBT comprises the amount recorded in the fiscal year based on the number of points granted or expected to be granted during the fiscal year.
3. At the 39th Annual General Meeting of Shareholders held on June 25, 2008, Fuyo Lease approved the resolution to pay accrued retirement benefits associated with the abolishment of the retirement benefits system for directors. The estimated amount as of the end of the fiscal year is 4 million yen (outside directors). The payment is made at the time of their retirement.

Director Qualifications and Nomination Procedures

❶ Policy and procedures for nominating director and corporate auditor candidates

Our Corporate Governance Guidelines set forth procedures for nominating and removing directors in addition to the qualifications of corporate auditors and procedures for nominating corporate auditor candidates. Under these guidelines, a director or corporate auditor candidate must possess an outstanding personality, a wide breadth of knowledge, abilities, experience, and high ethical standards. The guidelines also specifies that candidates be nominated regardless of factors such as sex, age, and nationality, with the aim of achieving greater diversity. In order to ensure fairness and transparency in the nomination process, the selection of candidates for directors and corporate auditors is finalized by the Board of Directors following a discussion by the Nomination and Compensation Advisory Committee, which is comprised of majority independent outside directors. Selection of corporate auditor candidates is finalized by the Board of Directors upon consent of the Board of Corporate Auditors.

❷ Independence standards for outside directors and outside corporate auditors

Independence standards for outside directors and outside corporate auditors are stipulated in the Corporate Governance Guidelines in line with the independence standards prescribed in the Guidelines Concerning Listing Management, etc. established by the Tokyo Stock Exchange.

Roles expected of outside directors and outside corporate auditors and reasons for appointment

Name	Reason for appointment
Seiichi Isshiki	In addition to serving as Representative Director & President of JX Nippon Oil & Energy Corporation, Mr. Isshiki has served as a director of JX Holdings, Inc. and president of ENEOS Celltech Co., Ltd. We believe that his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors.
Hideo Ichikawa	We believe that his many years of management experience as representative director and president, chief executive officer, representative director and chairman of the board, director, chairman of the board of Showa Denko K.K. and his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors.
Masayuki Yamamura	We believe that his experience as representative director and president of NTT East and chairman of the incorporated association and his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors.
Hiroko Matsumoto	We believe that her experience as after working for Toshiba Corporation, school administration and education as Administrator, Vice President, Professor and Head of Research Institute of Joshibi University of Art and Design and her abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors.
Takashi Yonekawa	To utilize the abundant experience and high insight that he has served as a Director and Managing Executive Officer, Vice-President and Executive Officer of Sompo Japan Insurance Inc., to carry out appropriate audits from an independent and objective standpoint.
Hiroshi Imoto	By making use of Mr. Imoto's abundant experience and high level of insight as a member of the Japan Bank for International Cooperation's International Management and Planning Division, Industry Finance Department, and Full-time Corporate Auditor, to carry out appropriate audits from an independent and objective standpoint.

Internal Control System

Fuyo Lease has instituted an internal control system across our corporate group to ensure compliance with all relevant laws and the articles of incorporation, capability to respond to various risks in a timely and appropriate manner, and to ensure transparency and efficiency of operations, in addition to ensuring the reliability of financial reports, etc. Our Internal Audit Department, corporate auditors, and independent auditor share information about audit findings to monitor the status and operation of the internal control system. The status of the internal control system operation is reported to the Board of Directors during a meeting held at the end of each fiscal year, and continuous improvements are made in the light of the audit findings.

Internal Audit

The internal audit function is administered by the Group Internal Audit Division (staffed by 10 employees). The Group Internal Audit Division conducts operational audits of all departments, offices, branch offices, and major subsidiaries, and plays a part in ensuring that internal controls are functioning in addition to examining their effectiveness. The results of these audits of operations are reported to the President & CEO and corporate auditors every time they are conducted and periodically to the Board of Directors and the Executive Committee.

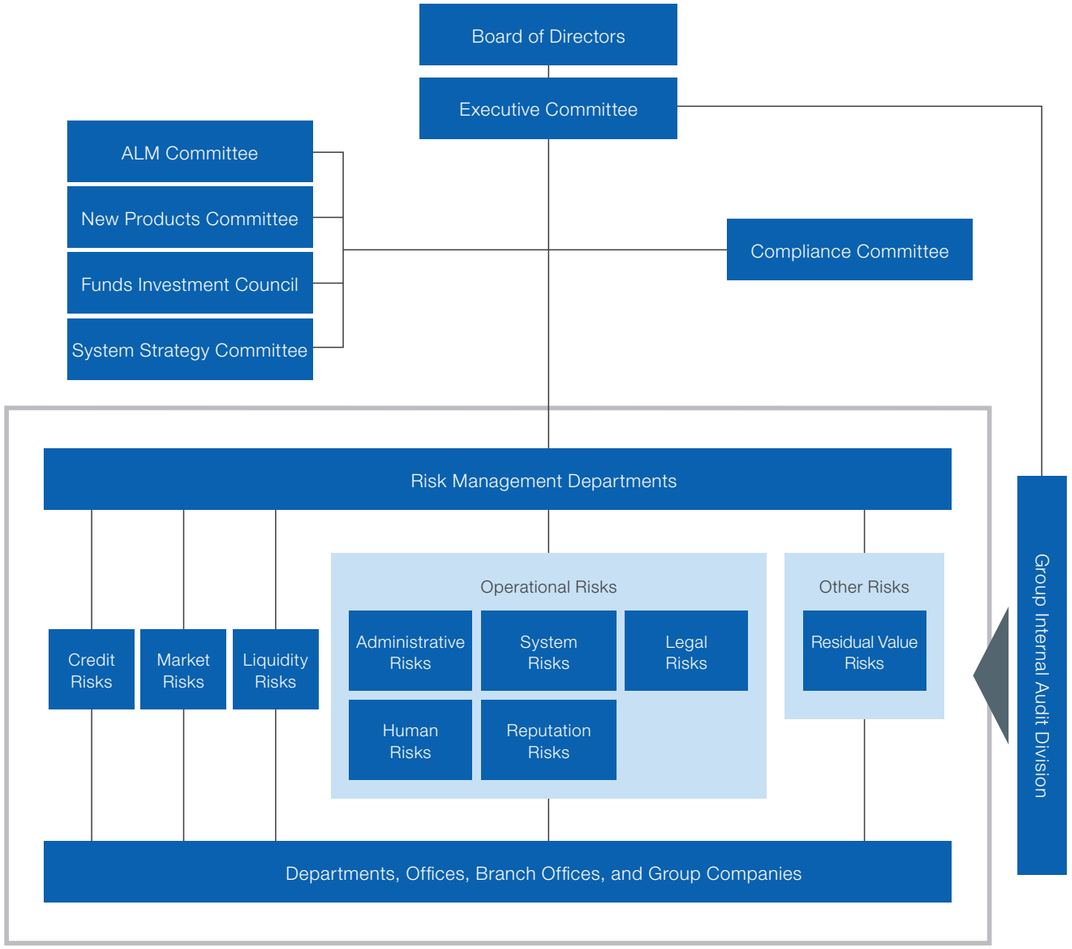
Risk Management

Our Approach to Risk Management and Risk Management System

As stipulated in the Fuyo Lease Group risk management regulations, we have established a risk management system at our locations across the globe in order to manage risks based on their particular risk characteristics and importance. Risks to be managed are categorized into credit, market (such as interest rate fluctuation risk), liquidity (such as cash flow risk), administrative, system, legal, human, reputation, and other risks. Each type of risk is managed by a designated department.

The Board of Directors and the Executive Committee receives updates on risk management, discusses risk management policies according to the characteristics and importance of each risk, and evaluates the effectiveness of risk management. The Asset and Liability Management (ALM) Committee meets on a regular basis to appropriately manage and control market and liquidity risks. These efforts enable us to continually improve our risk management system.

Risk Management System



Risks in Business Operations

Listed below are the main factors that could pose risks to the development of the Group's business and have a significant impact on the decisions of investors. The forward-looking statements here represent the judgment of the Group's management as of the date that its annual securities report was submitted (June 25, 2021). The following is not an exhaustive list of all the risks that could affect investment in the Company's shares.

Risk Factors in Business Development	
Risks relating to changes in capital expenditure trends and other factors	Credit Risks
Risks relating to changes in factors such as interest rates, exchange rates, share prices and financing	Risks relating to changes in regulatory systems
Risks relating to strategic partnerships and corporate acquisitions	Risks from natural disasters or other causes
Risks relating to business strategies Decline in the value of assets in Real Estate, Aircraft, and Mobility businesses Changes in the amount of power generated in the solar power generation business Delays in delivery and deterioration of business quality in BPO services Changes in overseas political and economic conditions in overseas business	Risks relating to overall business operations Administrative Risks System Risks Risks relating to information security Human risks relating to developing and securing human resources Compliance risks

* Please refer to our annual securities report for details on each section.

Response to Risks

The Fuyo Lease Group assumes various risks that may arise in the course of business development and is implementing measures to counter these risks. Details of the business risks for the Group are disclosed in our annual securities report, and major countermeasures are described below.

COVID-19

Against the backdrop of the spread of COVID-19, the Group's Board of Directors and Executive Committee are discussing ways to deal with infection risks in business activities and the impact of these risks on business performance. To deal with the risk of infection in our business activities, we established the COVID-19 emergency response task force under the direction of the president, and we are engaging in initiatives based on the Group's Basic BCP Principles.

We ensure that all employees and directors understand and adhere to rules for preventing infection, such as mobile working, working from home, flexible working hours, reducing overtime, monitoring health and avoiding commutes when unwell. If we found the event of a confirmed or suspected COVID-19 case in the Group, we also report promptly the incident within the company, respond by consulting and receiving medical examinations from medical institutions, and giving instructions to remain at home, perform required cleaning and disinfection, and make a public announcement. These initiatives ensure that we prevent the spread of COVID-19 and do our utmost to keep our employees and their families healthy, as well as prioritizing prevention of negative effects on the business continuity of our customers.

Information Security

With unauthorized access to information via the Internet as well as cyber-attacks increasing daily and becoming more sophisticated, the Group recognizes that information security risks are an important management issue. In order to establish a strict information management system for the entire Group, data are strictly controlled by our information security manager in accordance with detailed rules, including the Confidential Information Management Rule. Additionally, each employee is thoroughly informed of the Appropriate Information Management section included in the Code of Corporate Conduct as well as the Privacy Policy, and we have implemented level-specific information security training programs. In fiscal 2020, we provided training on confidential information management and personal data protection to 1st year employees (generalist track).

Large-Scale Disaster

The Group has a system in place for responding to emergencies. In the event of a large-scale disaster or emergency, the emergency response task force under the direction of the president will take measures necessary for ensuring safety and continuity of our operations in accordance with the Emergency Preparedness Regulations. We also conduct regular drills to promote the minimization of damage and ensure business continuity. In fiscal 2019, we reviewed BCP-related regulations and established our Basic BCP Principles. Moreover, in fiscal 2020, we strengthened collaboration for disaster response within the Group. We standardized disaster stockpiles at all group companies following relocating our headquarters and identified priority businesses in our BCP.

Compliance System

Our Approach to Compliance and Compliance System

At the Fuyo Lease Group, ensuring compliance is a fundamental principle of management. We work to strengthen and enhance our compliance system, which enables us to operate with integrity and fairness by conforming to relevant social norms, while strictly complying with all laws and regulations.

We promote compliance throughout the Group by stipulating various regulations, procedures, and manuals, conducting compliance education, and enhancing the whistleblower system on the basis of the Fuyo General Lease Group's Code of Corporate Conduct. In order to maintain and further improve our compliance systems, we implement and carry out compliance programs every fiscal year. Issues associated with the compliance programs are discussed at the Compliance Committee and the Executive Committee before being submitted to the Board of Directors for approval. Findings and progress of the programs are reported to the Board of Directors on a semi-annual basis.

We will continue our group-wide activities including conducting compliance practices and compliance education, and streamlining our compliance systems across the Group to improve their effectiveness.

Fuyo General Lease Group Code of Corporate Conduct

The Fuyo Lease Group has formulated the Fuyo General Lease Group Code of Corporate Conduct, which specifies the basic policies and position of the entire group as well as behavioral guidelines for the employees of the Group. We conduct various training activities including e-learning programs to increase the effectiveness of the Code and instill the Code among our employees.

Furthermore, the Code strictly prohibits the forging of collusive ties with political and administrative authorities and business partners, and the private use of the company's assets. In fiscal 2020, no infringements related to corruption were found in the Group. Additionally, no employees were dismissed or subjected to disciplinary action due to corruption.

Fuyo General Lease Group Code of Corporate Conduct

Chapter 1 — Basic Policy of Fuyo General Lease Group
1. Social Responsibilities and Public Missions
2. Implementation of Customer First Principles
3. Compliance with Laws and Rules
4. Respect for Human Rights
5. Blocking Relationships with Anti-social Forces

Chapter 2 — Basic Attitude of Fuyo General Lease Group
1. Basic Attitude Toward Customers
2. Basic Attitude Toward Shareholders
3. Basic Attitude Toward Local Communities
4. Basic Attitude Toward Employees
5. Basic Attitude Toward Suppliers and Competitors
6. Basic Attitude Toward Politics and Government

Chapter 3 — Action Guidelines for All Members of the Fuyo Lease Group
1. Maintaining Order in the Workplace
2. No Personal Use of Company Assets
3. Appropriate Information Management
4. No Conflicts of Interest
5. Appropriate Personal Conduct
6. Social Media Policy (Appropriate Personal Conduct 2)

* Please refer to our website for detailed contents.

Compliance Training

The Fuyo Lease Group emphasizes employee training programs that are designed to ensure compliance. Our training programs include workplace compliance training and e-learning on insider trading regulations for all Group employees, as well as group training conducted by external instructors for directors, heads of departments, offices and branch offices, presidents of group companies, and departmental compliance officers.*

* A compliance officer is appointed for each department or company to raise compliance awareness and ensure compliance.

Compliance Training (FY 2020)

Group training and workplace training

Participant	Subject	# of session
New recruit	Introduction to compliance, Fuyo General Lease Group Code of Corporate Conduct, Unreasonable demand	1
1st year employee (Generalist track)	Confidential information management, Personal information protection, Prevention of harassment, Insider trading regulations	1
5th year employee (Generalist track)	Response to accidents and troubles	1
Newly appointed head of department/ branch office	Issues to be understood as responsible officers to ensure compliance	1
Newly appointed assistant manager/ section chief	Prevention of power harassment, sexual and maternity harassment	2
All employees	Information management and prevention of wrong emails	1
Directors and head of department/ office/branch office	Importance of the whistleblower system that directors and head of branch/department should understand	1

E-learning

Participant	Subject	# of session
Directors, head of department/ office/ branch office, compliance officer, entry level	Regulation for Insider Trading (e-learning material of the Japan Exchange Group)	2
All employees	General issues on compliance	1

Whistleblower Hotline

The Fuyo Lease Group operates whistleblower hotlines.

In addition to the in-house compliance hotline, we provide a consultation service desk through a cooperating law firm. These services are available on a regular basis and guidance to these services is always posted on the company's intranet bulletin board. Concerned individuals can immediately seek consultation or report whenever they detect any violations of the law, the Code of Corporate Conduct and other corporate regulations, harassment cases, misconduct in information management or other potential infringements. The whistleblower systems accept anonymous reports to protect whistleblowers. At Fuyo Lease, full-time corporate auditors are appointed to accept reports from the group companies, and the cooperating law firm is available for reports from the overseas affiliated companies.

In fiscal 2020, three reports were received through the hotline. In each case, we contacted the relevant parties to confirm the facts and conducted investigations promptly with due care to protect whistleblowers against detrimental treatment, and all cases have been resolved.

Independent Assurance Report

Fuyo General Lease Co., Ltd. has engaged KPMG AZSA Sustainability Co., Ltd. to perform assurance of selected environmental and social data in order to assure credibility of reported figures. The data subject to the third-party assurance is indicated with ☑ .

KPMG

Independent Assurance Report

To the President and CEO of Fuyo General Lease Co., Ltd.

We were engaged by Fuyo General Lease Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ☑ (the "Indicators") for the period from April 1, 2020 to March 31, 2021 included in its Fuyo Lease Group Integrated Report 2021 (the "Report") for the fiscal year ended March 31, 2021.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting one of the Company's domestic business sites selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
September 15, 2021

Financial Section

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Financial Information

Financial Position and Management Goals

Financial Position and Results of Operations

The Japanese economy remained under pressure in fiscal 2020, with economic activity restricted by the spread of COVID-19. Although parts of the economy recovered, with some help from government stimulus measures, the economic outlook appears increasingly uncertain amid repeated states of emergency and no prospects of the pandemic coming to an end.

According to the Japan Leasing Association, the total volume of lease transactions in Japan's leasing industry in fiscal 2020 came to ¥4,591.0 billion, an increase of 13.9% compared to the previous fiscal year.

In this environment, the Fuyo Lease Group started to implement Frontier Expansion 2021, its Medium-term Management Plan for fiscal 2017 to fiscal 2021. In fiscal 2020, the fourth fiscal year of the plan, the Group steadily implemented the business and management strategies outlined in the plan, aiming to be a corporate group that continually expands the frontiers of its business portfolio and clears the way to new business fields by fulfilling its corporate slogan of "Go where no one has gone before."

As a result of these efforts, newly executed contract volume in fiscal 2020 totaled ¥1,343,882 million, down 1.2% year on year. Consolidated operating assets (net of the deferred profit on installment sales) as of March 31, 2021, totaled ¥2,555,857 million, up ¥171,865 million, or 7.2%, from the end of the previous fiscal year.

The total assets amounted to ¥2,979,285 million, up ¥226,686 million, or 8.2%, from the end of fiscal 2019, due to a steady increase in operating assets.

The funding balance stood at ¥2,430,993 million, an increase of 9.0% year on year, mainly due to the issuance of unsecured straight bonds amounting to ¥70,405 million during the fiscal year under review.

On the profit front, the Company reported net sales of ¥740,263 million, up 3.9% year on year, operating profit of ¥44,555 million, up 7.6% year on year, ordinary profit of ¥47,996 million, up 9.0% year on year, and profit attributable to owners of parent of ¥29,566 million, up 12.9% year on year. Net sales, operating profit, ordinary profit, and profit attributable to owners of parent all exceeded the previous year's level, and record-high profits were achieved for the consolidated fiscal year.

Financial Position and Results of Operations by Segment

Net sales, cost of sales and gross profit before interest expenses

Lease and Installment Sales

In fiscal 2020, Lease and Installment Sales segment net sales increased by ¥12,864 million, or 2.4% year on year, to ¥541,718 million. Cost of sales increased by ¥11,938 million, or 2.5% year on year, to ¥487,721 million, and gross profit before interest expenses in the Lease and Installment Sales segment increased by ¥925 million, or 1.7%, year on year, to ¥53,996 million. This was mainly due to the acquisition of YAMATO LEASE as a consolidated subsidiary and growth in real estate and other Strategic Areas offsetting a decline in aircraft leasing.

Financing

Financing segment net sales totaled ¥20,588 million in fiscal 2020, an increase of ¥4,609 million, or 28.8%, year on year. Cost of sales increased by ¥168 million, or 58.0%, to ¥460 million, and gross profit before interest expenses in the Financing segment rose ¥4,440 million, or 28.3%, to ¥20,128 million. This was mainly due to the significant growth in the finance business as a result of our precise response to changes in the market environment.

Other

The Other segment's net sales jumped by ¥10,459 million, or 6.2% year on year, to ¥177,956 million in fiscal 2020. Cost of sales increased by ¥9,122 million, or 6.1% year on year, to ¥159,583 million, and gross profit before interest expenses in the other segment increased by ¥1,336 million, or 7.8% year on year, to ¥18,373 million. This was mainly due to the strengthening of businesses in Strategic Areas such as the BPO service business and solar power generation business.

Operating profit, ordinary profit and profit attributable to owners of parent

Strategic Areas centered on Real Estate and Energy & Environment, and finance business performed well, which contributed significantly to achieving an increase in gross profit before interest expenses, the basic income which is a major source of profits. Gross profit before interest expenses increased by ¥6,702 million (7.8%) year on year to ¥92,499 million. As for costs, personnel expenses increased by ¥2,794 million (8.3%) year on year to 36,356 million due to the expansion of the Group, but this was offset by an increase in gross profit before interest expenses. As a result, operating profit totaled ¥44,555 million, a year on year increase of 7.6%, ordinary profit totaled ¥47,996 million, a year-on-year increase of 9.0%, and profit attributable to owners of parent stood at ¥29,566 million, up 12.9% year. Both net sales and profits at each level showed favorable performance and exceeded the previous year's results.

Net Assets and Equity Ratio

Total shareholders' equity increased by ¥20,522 million, or 8.4% from the end of the previous fiscal year to ¥266,138 million, mainly owing to an increase in retained earnings. As a result, total net assets came to ¥344,796 million at the end of the fiscal year under review, up ¥32,977 million, or 10.6%, compared to the end of the previous fiscal year. The equity ratio increased 0.2 percentage points from the end of the previous fiscal year to 10.2%. While operating assets increasing, net assets increased and the equity ratio steadily improved.

Fuyo Lease Group predicts that the outlook for the economy will remain uncertain as restrictions on economic activity continue due to the COVID-19 pandemic, and the Group also anticipates that the pandemic will take time to converge. If the impact of COVID-19 on the economy and business activities will change, it may have a significant impact on consolidated performance.

Cash Flows

The cash flow analysis and content to be considered for the consolidated fiscal year under review are as follows.

Cash Flows from Operating Activities

Operating activities in fiscal 2020 used net cash of ¥35,080 million, a decrease compared to the net cash used of ¥108,804 million in the previous fiscal year. The main factors in changes were a decrease in loss on retirement of assets for lease and cost of property for lease sales, a net decrease in lease receivables and investments in leases, a decrease in purchase of assets for lease and a decrease in trade payables.

Cash Flows from Investing Activities

Investing activities in fiscal 2020 used net cash of ¥5,970 million, compared to the net cash of ¥11,242 million used in the previous fiscal year. The main factors in changes were an increase in purchase of own-used assets and a decrease in purchase of investment securities.

Cash Flows from Financing Activities

Financing activities in fiscal 2020 provided net cash of ¥63,405 million, compared to the net cash of ¥127,754 million in the previous fiscal year. The main changes in indirect financing included increases in repayments of short-term borrowings, proceeds from long-term borrowings and repayments of long-term borrowings. In direct funding, the main changes included a net increase in commercial papers and a decrease of proceeds from securitization of lease receivables.

Financial Policy

The Fuyo Lease Group has set a basic policy of ensuring the liquidity required for business operations and stable funding sources.

The Group raises funds through indirect financing using borrowings from financial institutions and direct financing from the markets for its working capital and equipment funding.

At the end of the fiscal year under review, indirect financing amounted to ¥1,638,863 million, up 10.4% from the end of the previous fiscal year, mainly due to increases in long-term borrowings. Direct financing increased 6.2% from the end of the previous fiscal year to ¥792,129 million, mainly due to the proactive issuance of bonds, including the sustainability-linked bond and the first issuance of US dollar-denominated unsecured bonds. As a result, the funding balance at the end of the fiscal year under review increased 9.0% from the end of the previous fiscal year to ¥2,430,993 million. The percentage of direct financing stood at 32.6%, a decrease of 0.8 percentage points compared to the end of the previous fiscal year. The main demand for working capital at the Group include the purchase of assets for lease and properties for installment sales to customers, the purchase of operational investment securities, and capital investment in solar power generation facilities, in addition to operating expenses and selling, general and administrative expenses.

As of March 31, 2021, the balance of interest-bearing debt, including borrowings and lease receivables, stood at ¥2,446,726 million, up 8.7% from the end of fiscal year. Moreover, cash and cash equivalents at end of period under review totaled ¥98,753 million.

At the end of the fiscal year under review, the Company had concluded overdraft agreements and loan commitment agreements with 74 correspondent financial institutions. The balance of executed loans amounted to ¥508,983 million, and the balance of unexecuted loans stood at ¥494,839 million.

Management Policy, Management Strategy and Objective Indicators Used for Evaluating Progress towards Management Goals

The Medium-term Management Plan, Frontier Expansion 2021, aims to expand the frontiers of our business portfolio through robust and sustainable growth by constantly challenging new business areas and business models.

To this end, it is important to steadily build operating assets and enhance profitability in order to achieve better performance. From this point of view, we have defined operating assets, ordinary profit, and ROA (Ratio of ordinary profit to operating assets) as our three management goals.

As for operating assets, we achieved the target ahead of schedule due to progress in accumulating the assets in Strategic Areas.

Founded on the basis of steadily accumulating operating assets, ordinary profit and profit attributable to owners of parent have achieved record highs for four consecutive years and six consecutive years, respectively.

In addition, we have both improved ROA (Ratio of ordinary profit to operating assets) by proactively replacing our portfolio with highly profitable assets in line with the accumulation of operating assets.

Management Goals (Consolidated)	FY 2017 Result	FY 2018 Result	FY 2019 Result	FY 2020 Result	Target Value (FY 2021)
Operating Assets	¥2,172.6 bn	¥2,262.8 bn	¥2,384.0 bn	¥2,555.9 bn	¥2,500.0 bn
Ordinary profit	¥35.2 bn	¥39.1 bn	¥44.0 bn	¥48.0 bn	¥50.0 bn
ROA (Ratio of ordinary profit to operating assets)	1.67%	1.76%	1.90%	1.94%	2.0%

Financial and Non-Financial Data (10 years)

Financial Data (consolidated)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Net sales (billions of yen)	421.5	442.6	441.7	472.3	493.8	507.2	590.3	618.1	712.3	**740.3**
Cost of sales (billions of yen)	369.2	393.2	394.5	423.7	442.6	451.9	529.8	551.4	636.0	**657.5**
Gross profit (billions of yen)	52.3	49.3	47.2	48.6	51.2	55.3	60.5	66.7	76.3	**82.7**
Selling, general and administrative expenses (billions of yen)	23.7	24.5	24.0	24.0	26.7	26.5	27.8	31.0	34.9	**38.2**
Operating profit (billions of yen)	28.7	24.8	23.2	24.6	24.5	28.8	32.7	35.7	41.4	**44.6**
Ordinary profit (billions of yen)	32.1	26.4	25.4	26.5	29.2	31.4	35.2	39.1	44.0	**48.0**
Profit attributable to owners of parent (billions of yen)	16.5	15.6	13.0	14.2	17.5	20.0	21.9	25.5	26.2	**29.6**
Total assets (billions of yen)	1,668.6	1,764.3	1,851.9	1,986.8	2,113.1	2,300.1	2,430.5	2,593.0	2,752.6	**2,979.3**
Operating assets (billions of yen)	1,440.9	1,495.9	1,599.2	1,730.5	1,867.2	2,047.4	2,172.6	2,262.8	2,384.0	**2,555.9**
Interest-bearing debt (billions of yen)	1,402.4	1,473.4	1,500.1	1,629.8	1,750.3	1,900.7	2,000.3	2,122.7	2,251.7	**2,446.7**
Net assets (billions of yen)	144.8	173.8	202.6	222.5	232.5	259.2	282.6	295.0	311.8	**344.8**
Equity ratio (%)	7.7	8.8	9.8	10.1	9.9	9.9	10.2	10.1	10.0	**10.2**
Executed contract volume (billions of yen)	484.6	547.2	594.8	666.9	703.8	834.2	1,105.1	1,187.2	1,359.7	**1,343.9**
ROA (Ratio of ordinary profit to operating assets) (%)	2.23	1.80	1.64	1.59	1.62	1.60	1.67	1.76	1.90	**1.94**
OHR (%)	43.7	47.8	49.8	48.7	51.2	47.1	45.2	45.3	44.0	**43.9**
Cash flows from operating activities (billions of yen)	(34.0)	(55.5)	(85.2)	(165.4)	(151.5)	(154.3)	(104.4)	(80.0)	(108.8)	**(35.1)**
Cash flows from investing activities (billions of yen)	(4.7)	8.2	(1.1)	(1.1)	(1.2)	(4.6)	(5.7)	(9.4)	(11.2)	**(6.0)**
Cash flows from financing activities (billions of yen)	51.6	98.2	62.6	147.3	150.3	157.7	113.5	105.5	127.8	**63.4**
Cash and cash equivalents at end of period (billions of yen)	43.9	95.2	72.3	54.0	51.4	50.6	54.1	69.9	77.4	**98.8**
Basic earnings per share (yen)	546.40	518.21	429.49	470.14	579.17	661.80	726.41	844.69	871.95	**986.18**
Dividends per share (yen)	66	70	74	80	100	130	146	188	205	**240**

Non-Financial Data (consolidated)

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
CO_2 emissions (Scope1,2) (t-CO_2)	1,096	1,279	1,409	1,287	1,216	1,271	2,074	1,937	2,007	**2,062** ☑
Scope1 (t-CO_2)	213	202	192	159	154	163	770	707	687	**603** ☑
Scope2 (t-CO_2)	883	1,077	1,217	1,128	1,062	1,108	1,304	1,230	1,319	**1,460** ☑
CO_2 emission intensity (Scope1,2) (t-CO_2 / 100 millions of yen)	0.31	0.34	0.39	0.33	0.31	0.33	0.37	0.36	0.29	**0.29**
Green energy supply* (Output) (MW-dc)	0	8	23	58	86	86	111	149	229	**283**
Number of employees (Employees)	1,504	1,500	1,521	1,542	1,559	1,703	1,715	1,960	2,416	**2,637**
Number of employees (non-consolidated) (Employees)	611	658	660	669	670	689	689	704	715	**759**
Turnover rate (non-consolidated) (%)	1.7	1.4	1.3	1.1	0.8	1.0	1.9	1.9	1.8	**1.7** ☑

* Total of figures of own group business and those corresponding to equity investment share.

Consolidated financial statements

Consolidated balance sheets

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Assets				
Current assets				
Cash and deposits	3	¥ 98,926	¥ 77,436	$ 893,482
Installment receivables	3	84,545	79,753	763,597
Lease receivables and investments in leases	3	1,080,797	1,106,840	9,761,538
Operating loans		306,635	307,124	2,769,465
Accounts receivable - other loans to customers	3,7	117,660	109,652	1,062,687
Operational investment securities	2	283,209	234,837	2,557,890
Other operating assets		19,011	15,706	171,712
Accounts receivable - lease	3	29,604	24,862	267,384
Other	3	91,294	74,359	824,549
Allowance for doubtful accounts		(3,047)	(3,085)	(27,526)
Total current assets		**2,108,637**	**2,027,487**	**19,044,778**
Non-current assets				
Property, plant and equipment				
Assets for lease				
Assets for lease	1,3,7	632,299	506,498	5,710,797
Advances for purchase of assets for lease		8,140	6,911	73,526
Total assets for lease		640,440	513,409	5,784,323
Other operating assets	1,3	33,276	26,383	300,546
Own-used assets	1,3	3,662	13,319	33,078
Total property, plant and equipment		677,379	553,111	6,117,947
Intangible assets				
Assets for lease		240	266	2,168
Other intangible assets				
Goodwill		20,718	21,749	187,122
Other		7,741	7,644	69,921
Total other intangible assets		28,459	29,394	257,042
Total intangible assets		28,699	29,660	259,210
Investments and other assets				
Investment securities	2,3	112,838	91,984	1,019,132
Distressed receivables		558	602	5,043
Retirement benefit asset		64	—	583
Deferred tax assets		2,620	2,762	23,665
Other		47,450	46,079	428,562
Allowance for doubtful accounts		(287)	(363)	(2,593)
Total investments and other assets		163,244	141,065	1,474,392
Total non-current assets		**869,323**	**723,837**	**7,851,549**
Deferred assets				
Organization expenses		1	1	13
Business commencement expenses		1,322	1,271	11,943
Total deferred assets		**1,323**	**1,273**	**11,957**
Total assets		**¥ 2,979,285**	**¥ 2,752,598**	**$ 26,908,283**

The accompanying notes are an integral part of these statements.

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Liabilities				
Current liabilities				
Notes and accounts payable - trade		¥ 33,027	¥ 45,391	$ 298,296
Short-term borrowings		564,585	530,317	5,099,217
Current portion of bonds payable		30,000	20,000	270,954
Current portion of long-term borrowings	3,7	308,274	274,820	2,784,271
Commercial papers		470,200	450,700	4,246,749
Payables under securitization of lease receivables	8	30,100	28,900	271,857
Current portion of long-term payables under securitization of lease receivables	3,8	32,117	41,396	290,077
Lease obligations		14,977	20,302	135,276
Income taxes payable		9,974	4,215	90,086
Deferred profit on installment sales		1,046	1,307	9,451
Provision for bonuses		2,265	2,219	20,463
Provision for bonuses for directors (and other officers)		180	184	1,634
Provision for share awards for directors (and other officers)		49	57	450
Provision for future lease payments		3	3	30
Provision for loss on guarantees		39	50	353
Asset retirement obligations		90	453	821
Other	3	41,157	45,254	371,722
Total current liabilities		**1,538,089**	**1,465,573**	**13,891,708**
Non-current liabilities				
Bonds payable		191,072	150,000	1,725,723
Long-term borrowings	3,7	766,003	680,017	6,918,387
Long-term payables under securitization of lease receivables	3,8	38,640	54,869	348,992
Lease obligations		755	417	6,823
Deferred tax liabilities		20,772	15,706	187,613
Retirement benefit liability		1,302	2,177	11,762
Provision for retirement benefits for directors (and other officers)		129	132	1,168
Provision for share awards for directors (and other officers)		388	255	3,511
Provision for maintenance costs		570	577	5,156
Provision for loss on guarantees		554	730	5,009
Asset retirement obligations		2,568	2,311	23,202
Other		73,639	68,009	665,096
Total non-current liabilities		**1,096,398**	**975,205**	**9,902,441**
Total liabilities		**2,634,488**	**2,440,778**	**23,794,149**
Net assets				
Shareholders' equity				
Share capital		10,532	10,532	95,124
Capital surplus		6,197	8,873	55,976
Retained earnings		251,320	228,285	2,269,875
Treasury shares		(1,912)	(2,075)	(17,272)
Total shareholders' equity		**266,138**	**245,615**	**2,403,703**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		44,833	31,650	404,924
Deferred gains or losses on hedges		(2,656)	(798)	(23,990)
Foreign currency translation adjustment		(3,698)	(435)	(33,408)
Remeasurements of defined benefit plans		(50)	(163)	(458)
Total accumulated other comprehensive income		**38,427**	**30,253**	**347,068**
Share acquisition rights		704	764	6,359
Non-controlling interests		39,527	35,186	357,004
Total net assets		**344,796**	**311,819**	**3,114,134**
Total liabilities and net assets		**¥ 2,979,285**	**¥ 2,752,598**	**$ 26,908,283**

The accompanying notes are an integral part of these statements.

Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Net sales		**¥ 740,263**	**¥ 712,330**	**$ 6,685,908**
Cost of sales		657,519	635,982	5,938,581
Gross profit		82,744	76,347	747,327
Selling, general and administrative expenses	1	38,188	34,924	344,914
Operating profit		**44,555**	**41,423**	**402,413**
Non-operating income				
Interest income		38	71	348
Dividend income		2,009	1,772	18,149
Gain on investments in investment partnerships		249	48	2,250
Share of profit of entities accounted for using equity method		1,684	1,322	15,211
Recoveries of written off receivables		96	97	873
Reversal of provision for loss on guarantees		187	192	1,693
Other		468	243	4,234
Total non-operating income		4,734	3,750	42,758
Non-operating expenses				
Interest expenses		677	627	6,116
Bond issuance costs		33	31	300
Foreign exchange losses		93	142	848
Loss on investments in investment partnerships		163	58	1,473
Loss on investments in silent partnerships		—	0	—
Distributions of profit or loss on silent partnerships		281	251	2,544
Other		43	15	397
Total non-operating expenses		1,292	1,128	11,676
Ordinary profit		**47,996**	**44,045**	**433,495**
Extraordinary income				
Gain on sale of investment securities		2	395	23
Subsidy income		727	592	6,570
Other		—	0	—
Total extraordinary income		730	989	6,594
Extraordinary losses				
Loss on valuation of investment securities		1	545	15
Loss on redemption of investment securities		—	513	—
Impairment losses	2	1	1,283	10
Loss on disposal of non-current assets	3	35	14	321
Loss on tax purpose reduction entry of non-current assets		727	592	6,570
Other		—	5	—
Total extraordinary losses		765	2,954	6,917
Profit before income taxes		47,960	42,080	433,171
Income taxes - current		15,216	10,680	137,435
Income taxes - deferred		(130)	1,747	(1,177)
Total income taxes		15,086	12,427	136,258
Profit		32,874	29,653	296,914
Profit attributable to non-controlling interests		3,307	3,466	29,874
Profit attributable to owners of parent		**¥ 29,566**	**¥ 26,187**	**$ 267,039**

The accompanying notes are an integral part of these statements.

Consolidated statements of comprehensive income

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Profit		¥ 32,874	¥ 29,653	**$ 296,914**
Other comprehensive income				
Valuation difference on available-for-sale securities		12,494	(2,380)	112,848
Deferred gains or losses on hedges		(1,829)	(128)	(16,526)
Foreign currency translation adjustment		(3,593)	(686)	(32,459)
Remeasurements of defined benefit plans, net of tax		124	(54)	1,122
Share of other comprehensive income of entities accounted for using equity method		1,023	(1,157)	9,240
Total other comprehensive income	1	8,218	(4,408)	74,224
Comprehensive income		**¥ 41,092**	**¥ 25,245**	**$ 371,138**
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		¥ 37,740	¥ 21,804	$ 340,863
Comprehensive income attributable to non-controlling interests		3,352	3,440	30,275

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in equity

FY2020 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 10,532	¥ 8,873	¥ 228,285	¥ (2,075)	¥ 245,615
Changes during period					
Dividends of surplus			(6,466)		(6,466)
Profit attributable to owners of parent			29,566		29,566
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(64)	163	98
Change in scope of consolidation					—
Purchase of shares of Consolidated subsidiaries		(2,676)			(2,676)
Net changes in items other than shareholders' equity					
Total changes during period	—	(2,676)	23,035	163	20,522
Balance at end of period	¥ 10,532	¥ 6,197	¥ 251,320	¥ (1,912)	¥ 266,138

(Millions of yen)

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of period	¥ 31,650	¥ (798)	¥ (435)	¥ (163)	¥ 30,253
Changes during period					
Dividends of surplus					
Profit attributable to owners of parent					
Purchase of treasury shares					
Disposal of treasury shares					
Change in scope of consolidation					
Purchase of shares of Consolidated subsidiaries					
Net changes in items other than shareholders' equity	13,182	(1,857)	(3,263)	112	8,173
Total changes during period	13,182	(1,857)	(3,263)	112	8,173
Balance at end of period	¥ 44,833	¥ (2,656)	¥ (3,698)	¥ (50)	¥ 38,427

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	¥ 764	¥ 35,186	¥ 311,819
Changes during period			
Dividends of surplus			(6,466)
Profit attributable to owners of parent			29,566
Purchase of treasury shares			(0)
Disposal of treasury shares			98
Change in scope of consolidation			—
Purchase of shares of Consolidated subsidiaries			(2,676)
Net changes in items other than shareholders' equity	(60)	4,341	12,454
Total changes during period	(60)	4,341	32,977
Balance at end of period	¥ 704	¥ 39,527	¥ 344,796

FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 10,532	¥ 8,873	¥ 208,454	¥ (826)	¥ 227,034
Changes during period					
Dividends of surplus			(6,333)		(6,333)
Profit attributable to owners of parent			26,187		26,187
Purchase of treasury shares				(1,364)	(1,364)
Disposal of treasury shares			(22)	115	92
Change in scope of consolidation			(0)		(0)
Purchase of shares of Consolidated subsidiaries					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	19,830	(1,249)	18,580
Balance at end of period	¥ 10,532	¥ 8,873	¥ 228,285	¥ (2,075)	¥ 245,615

(Millions of yen)

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of period	¥ 34,713	¥ (577)	¥ 496	¥ 3	¥ 34,636
Changes during period					
Dividends of surplus					
Profit attributable to owners of parent					
Purchase of treasury shares					
Disposal of treasury shares					
Change in scope of consolidation					
Purchase of shares of Consolidated subsidiaries					
Net changes in items other than shareholders' equity	(3,062)	(221)	(931)	(167)	(4,383)
Total changes during period	(3,062)	(221)	(931)	(167)	(4,383)
Balance at end of period	¥ 31,650	¥ (798)	¥ (435)	¥ (163)	¥ 30,253

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	¥ 842	¥ 32,525	¥ 295,039
Changes during period			
Dividends of surplus			(6,333)
Profit attributable to owners of parent			26,187
Purchase of treasury shares			(1,364)
Disposal of treasury shares			92
Change in scope of consolidation			(0)
Purchase of shares of Consolidated subsidiaries			—
Net changes in items other than shareholders' equity	(78)	2,660	(1,801)
Total changes during period	(78)	2,660	16,779
Balance at end of period	¥ 764	¥ 35,186	¥ 311,819

FY2020 (From April 1, 2020 to March 31, 2021)

(Thousands of U.S. dollars) (Note 1)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	$ 95,124	$ 80,145	$ 2,061,823	$ (18,745)	$ 2,218,347
Changes during period					
Dividends of surplus			(58,402)		(58,402)
Profit attributable to owners of parent			267,039		267,039
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares			(585)	1,476	891
Change in scope of consolidation					—
Purchase of shares of Consolidated subsidiaries		(24,169)			(24,169)
Net changes in items other than shareholders' equity					
Total changes during period	—	(24,169)	208,052	1,474	185,356
Balance at end of period	$ 95,124	$ 55,976	$ 2,269,875	$ (17,272)	$ 2,403,703

(Thousands of U.S. dollars) (Note 1)

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of period	$ 285,862	$ (7,209)	$ (3,930)	$ (1,479)	$ 273,245
Changes during period					
Dividends of surplus					
Profit attributable to owners of parent					
Purchase of treasury shares					
Disposal of treasury shares					
Change in scope of consolidation					
Purchase of shares of Consolidated subsidiaries					
Net changes in items other than shareholders' equity	119,062	(16,781)	(29,478)	1,021	73,824
Total changes during period	119,062	(16,781)	(29,478)	1,021	73,824
Balance at end of period	$ 404,924	$ (23,990)	$ (33,408)	$ (458)	$ 347,068

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	$ 6,902	$ 317,794	$ 2,816,288
Changes during period			
Dividends of surplus			(58,402)
Profit attributable to owners of parent			267,039
Purchase of treasury shares			(2)
Disposal of treasury shares			891
Change in scope of consolidation			—
Purchase of shares of Consolidated subsidiaries			(24,169)
Net changes in items other than shareholders' equity	(543)	39,209	112,490
Total changes during period	(543)	39,209	297,846
Balance at end of period	$ 6,359	$ 357,004	$ 3,114,134

The accompanying notes are an integral part of these statements.

Consolidated statements of cash flows

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Cash flows from operating activities				
Profit before income taxes		¥ 47,960	¥ 42,080	$ 433,171
Depreciation of assets for lease		41,128	33,694	371,465
Loss on retirement of assets for lease and cost of property for lease sales		26,442	118,027	238,825
Depreciation of other operating assets		2,623	2,040	23,694
Depreciation		2,398	2,124	21,666
Amortization of goodwill		1,326	1,132	11,979
Impairment losses		1	1,283	10
Increase (decrease) in allowance for doubtful accounts		(128)	347	(1,163)
Increase (decrease) in provision for bonuses and bonuses for directors (and other officers)		(24)	30	(221)
Increase (decrease) in provision for future lease payments		0	0	2
Increase (decrease) in provision for retirement benefits for directors (and other officers)		(2)	5	(26)
Increase (decrease) in provision for share awards for directors (and other officers)		125	175	1,136
Increase (decrease) in provision for maintenance costs		(6)	52	(61)
Increase (decrease) in provision for loss on guarantees		(187)	(192)	(1,693)
Increase (decrease) in retirement benefit liability		(750)	253	(6,777)
Loss (gain) on valuation of short-term and long-term investment securities		1	545	15
Interest and dividend income		(2,047)	(1,844)	(18,497)
Capital costs and interest expenses		10,432	10,075	94,220
Loss (gain) on investments in investment partnerships and silent partnerships		(85)	11	(776)
Share of loss (profit) of entities accounted for using equity method		(1,684)	(1,322)	(15,211)
Loss (gain) on sale of short-term and long-term investment securities		(2)	(395)	(23)
Loss (gain) on redemption of investment securities		—	513	—
Loss (gain) on disposal of non-current assets		35	13	321
Subsidy income		(727)	(592)	(6,570)
Loss on tax purpose reduction entry of non-current assets		727	592	6,570
Decrease (increase) in installment receivables		19,027	17,581	171,854
Net decrease (increase) in lease receivables and investments in leases		69,314	(32,851)	626,037
Decrease (increase) in accounts receivable - lease		(1,747)	(4,076)	(15,780)
Decrease (increase) in operating loans		(3,007)	(11,528)	(27,166)
Decrease (increase) in accounts receivable - other loans to customers		(7,436)	(22,143)	(67,168)
Decrease (increase) in investment securities for sale		(48,372)	(55,307)	(436,891)
Purchase of assets for lease		(145,886)	(170,362)	(1,317,616)
Purchase of other operating assets		(317)	(12,424)	(2,871)
Decrease (increase) in retirement benefit asset		3	—	35
Decrease (increase) in distressed receivables		43	(30)	396
Decrease (increase) in guarantee deposits		(198)	1,411	(1,792)
Increase (decrease) in trade payables		(15,551)	551	(140,459)
Increase (decrease) in lease obligations		(8,225)	(4,629)	(74,291)
Increase (decrease) in guarantee deposits received		4,018	1,239	36,296
Other, net		(7,996)	(6,505)	(72,222)
Subtotal		**(18,776)**	**(90,423)**	**(169,583)**
Interest and dividends received		2,332	3,158	21,063
Interest paid		(10,086)	(10,606)	(91,098)
Income taxes refund (paid)		(9,277)	(11,526)	(83,789)
Subsidies received		727	592	6,570
Net cash provided by (used in) operating activities		**¥ (35,080)**	**¥ (108,804)**	**$ (316,836)**

	Notes	Millions of yen		Thousands of U.S. dollars (Note 1)
		FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Cash flows from investing activities				
Purchase of own-used assets		¥ (4,177)	¥ (1,690)	$ (37,729)
Proceeds from sale of own-used assets		—	11	—
Purchase of investment securities		(2,222)	(5,489)	(20,075)
Proceeds from sale and redemption of investment securities		194	917	1,754
Purchase of shares of subsidiaries resulting in change in scope of consolidation	2	—	(6,393)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	302	—	2,733
Other, net		(67)	1,400	(609)
Net cash provided by (used in) investing activities		**(5,970)**	**(11,242)**	**(53,926)**
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		35,384	39,109	319,590
Repayments of short-term borrowings		(54,272)	—	(490,182)
Net increase (decrease) in commercial papers		19,500	(50,000)	176,120
Proceeds from long-term borrowings		390,069	336,231	3,523,031
Repayments of long-term borrowings		(342,902)	(269,934)	(3,097,027)
Net increase (decrease) in payables under securitization of lease receivables		1,200	6,000	10,838
Proceeds from securitization of lease receivables		20,672	66,123	186,714
Repayments of payables under securitization of lease receivables		(46,180)	(36,162)	(417,096)
Proceeds from issuance of bonds		70,405	65,000	635,883
Redemption of bonds		(20,000)	(20,000)	(180,636)
Purchase of treasury shares		(0)	(1,364)	(2)
Proceeds from disposal of treasury shares		98	92	891
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(3,440)	—	(31,069)
Dividends paid		(6,466)	(6,333)	(58,402)
Dividends paid to non-controlling interests		(366)	(781)	(3,313)
Other, net		(296)	(225)	(2,676)
Net cash provided by (used in) financing activities		**63,405**	**127,754**	**572,663**
Effect of exchange rate change on cash and cash equivalents		(484)	(28)	(4,379)
Net increase (decrease) in cash and cash equivalents		21,869	7,678	197,521
Cash and cash equivalents at beginning of period		77,416	69,918	699,213
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		(532)	(179)	(4,814)
Cash and cash equivalents at end of period	1	**¥ 98,753**	**¥ 77,416**	**$ 891,920**

The accompanying notes are an integral part of these statements.

Notes to consolidated financial statements

I. Basis of presentation

Fuyo General Lease Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account in conformity with generally accepted accounting principles in Japan, and its foreign consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan and have been prepared in accordance with generally accepted accounting principles in Japan.

Japanese yen amounts, which are indicated in millions of yen, are rounded down by truncating the figures below one million. As a result, the totals do not necessarily agree with the sum of the individual amounts. The amounts in US dollars presented in the consolidated financial statements are translated from the amounts in Japanese yen at the exchange rate of ¥110.72 to US$1.00, in effect at March 31, 2021, solely for the convenience of overseas readers. Therefore, this does not imply that those amounts in yen can be converted into equivalent amounts in US dollars at this or any other exchange rate.

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 57 companies
Names of significant consolidated subsidiaries:

Fuyo Auto Lease Co., Ltd.
YAMATO LEASE CO., LTD.
Sharp Finance Co., Ltd.
Accretive Co., Ltd.
INVOICE Inc.
FGL Group Business Service Co., Ltd.
FGL Group Management Service Co., Ltd.
Fuyo Lease Sales Co., Ltd.
Fuyo General Lease (USA) Inc.
Fuyo General Lease (HK) Limited
Fuyo General Lease (Asia) Pte. Ltd.
Fuyo General Lease (China) Co., Ltd.
FGL Aircraft Ireland Limited

In the fiscal year ended March 31, 2021, YAMATO LEASE CO., LTD. was included in the scope of consolidation due to the Company's acquisition of its shares, FGL Group Management Service Co., Ltd. and one other company were newly established and included in the scope of consolidation. General Incorporated Association Clean Energy 4 and one other company were included in the scope of consolidation due to the Company obtaining control. Six companies including F.C. Initial Leasing Ltd. were previously non-consolidated subsidiaries and excluded from the scope of consolidation pursuant to Article 5, paragraph (1), item (ii) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, because these subsidiaries are business operators, etc. of leasing businesses conducted through silent partnerships and their assets and gains or losses are effectively not attributable to such subsidiaries. However, these subsidiaries were included in the scope of consolidation as a result of the Company's investment in a silent partnership operated by them.

FGL Aircraft Ireland No.5 Limited and five other companies were excluded from the scope of consolidation due to liquidation and other factors. In addition, Crystal Clear Matsuyama LLC was excluded from the scope of consolidation and included in the scope of application of the equity method due to the partial sale of the Company's interest in them. Their operating results for the period up to the exclusion from the scope of consolidation are included in the consolidated financial statements

(2) Non-consolidated subsidiaries
Reason for exclusion from the scope of consolidation

Among the non-consolidated subsidiaries, 150 companies including FK Ignicion Leasing Ltd. are mainly business operators, etc. of leasing businesses conducted through silent partnerships. Their assets and gains or losses are effectively not attributable to such subsidiaries or are immaterial, so they have been excluded from the scope of consolidation pursuant to Article 5, paragraph (1), item (ii) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(3) Special purpose entities subject to disclosure

For an overview of special purpose entities subject to disclosure, overview of transactions using special purpose entities subject to disclosure, amount of transactions with special purpose entities subject to disclosure, etc., see "Information on special purpose entities."

2. Application of equity method

(1) Number of associates under the equity method: 10 associates
Names of significant associates:

Yokogawa Rental & Lease Corporation
Marubeni Fuyo Auto Investment (CANADA) Inc.
Pacific Rim Capital, Inc.

ATF TMK was included in the scope of application of the equity method during the fiscal year due to the Company's investment in it.

(2) Non-consolidated subsidiaries and associates which the equity method was not applied
Reason the equity method was not applied to the companies

Among the non-consolidated subsidiaries, 150 companies including FK Ignicion Leasing Ltd. are mainly business operators, etc. of leasing businesses conducted through silent partnerships. Their assets and gains or losses are effectively not attributable to such subsidiaries or are immaterial, so they are excluded from the scope of being accounted for using the equity method. Investments in these companies are valued at cost.

(3) With regard to the entities accounted for using equity method whose balance sheet dates differ from the consolidated balance sheet date, the financial statements of these companies for their respective fiscal years have been applied.

3. Fiscal year ends of consolidated subsidiaries

Among the consolidated subsidiaries, 19 overseas consolidated subsidiaries including Fuyo General Lease (USA) Inc. have balance sheet dates of December 31, while 10 domestic consolidated subsidiaries including General Incorporated Association C·C·S Holding have balance sheet dates of January 31. Financial statements of the respective subsidiaries for the respective fiscal years, with necessary adjustments with regard to material activities transactions during the periods up to the consolidated balance sheet date, have been reflected in the consolidation.

The financial statements of F.C. Initial Leasing Ltd. and four other companies are based on the provisional settlement of accounts conducted as of the consolidated balance sheet date.

The closing date of other consolidated subsidiaries is the same as the consolidated balance sheet date.

4. Summary of significant accounting policies

(1) Standard and method of valuation of significant assets

1) Securities

Other securities

Other securities with fair value

Mainly by a fair value method based on average market prices, etc. during one month before the consolidated balance sheet date for Fuyo General Lease Co., Ltd. (the "Company") and domestic consolidated subsidiaries and the market price, etc. on the balance sheet end date for overseas consolidated subsidiaries.

Note that the cost of securities sold is computed based on the moving-average method. The entire net unrealized gains or losses are booked directly as net assets.

Other securities without fair value

Stated at cost determined by the moving-average method

The amortized cost method is applied to the difference between the acquisition cost and the amount of bonds where interest rate adjustment is recognized.

2) Derivative financial instruments

Fair value method

(2) Depreciation and amortization

1) Assets for lease

Mainly amortized over the lease agreement period using the straight-line method with the residual value being the estimated amount to be realized when the lease agreement period ends

Note that an additional amount is booked as depreciation for the estimated amount of loss on disposal of assets for lease due to cancellation of lease agreements or customer insolvency, etc.

2) Other operating assets

Straight-line method

3) Leased assets

Leased assets under finance leases that do not transfer ownership

Amortized over the lease agreement period using the straight-line method with no residual value

4) Own-used assets

Declining balance method

However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired since April 1, 1998 and facilities attached to buildings and structures acquired since April 1, 2016, and is applied for overseas consolidated subsidiaries.

The estimated useful lives of own-used assets are principally as follows:

Buildings 3 to 50 years

Equipment 3 to 20 years

5) Other intangible assets

Straight-line method

Computer software intended for internal use is amortized by the straight-line method over the estimated useful lives (5 to 10 years).

(3) Accounting method for deferred assets

1) Organization expenses

Organization expenses are amortized by the straight-line method within five years after the date of founding

2) Business commencement expenses

Business commencement expenses are amortized by the straight-line method within five years after the business commencement date.

3) Bond issuance costs

Bond issuance costs are expensed upon payment.

(4) Accounting policy for significant allowances and provisions

1) Allowance for doubtful accounts

To cover possible losses from bad debts, the Company sets aside an allowance for the estimated amount of doubtful receivables deemed uncollectible. This allowance is based on historical default rates for general receivables and the individual analysis of debtors' financial positions for doubtful receivables, distressed receivables, etc.

With respect to the bankruptcy claims, etc., an estimated uncollectible amount is calculated by directly deducting amounts expected to be recovered from the amount of claims. The direct deduction totaled ¥3,098 million (U.S.$27,989 thousand) in the fiscal year ended March 31, 2021 and ¥1,979 million in the fiscal year ended March 31, 2020.

2) Provision for bonuses

To prepare for payment of bonuses to employees, a provision for the estimated payment amount borne in the fiscal year is recorded.

3) Provision for bonuses for directors (and other officers)

To prepare for payment of bonuses to directors, a provision for the estimated payment amount borne in the fiscal year is recorded.

4) Provision for future lease payments

To cover possible losses from future lease payment receivables for operating leases (subleases), a provision for the amount deemed uncollectible is recorded. This provision is based on the historical default rates for normal claims, the analysis of individual receivables with respect to classified loans in addition to bankruptcy claims, etc.

5) Provision for loss on guarantees

To cover possible losses on guarantees, etc., the Company provides an allowance for estimated loss, taking into consideration the financial condition of the financial guarantees as well as other factors.

6) Provision for retirement benefits for directors (and other officers)

Since this equates to the benefits for directors and corporate auditors, the entire amount that would be required to be paid at the end of the fiscal year is recorded according to internal regulations.

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

To prepare for the provision of the Company's shares, etc. to directors and other officers of the Company based on the Regulations for Provision of Shares to Officers, the Company posts the estimated amount of share-based benefit obligation as of the end of the fiscal year.

8) Provision for maintenance costs

To cover future payments for maintenance costs that are required in specific lease transactions and maintenance services, a provision for estimated cost is recorded by the Company.

(5) Retirement benefits

1) The method for attributing estimated retirement benefits for periods of employee service

For the calculation of retirement benefit obligations, the benefit formula method is used to attribute estimated retirement benefits for the period up to the end of the fiscal year.

2) Actuarial differences and prior service cost

With respect to prior service cost, the Company and one of the Company's domestic consolidated subsidiaries expense the entire amount of it in the fiscal year of occurrence, but one of the Company's domestic consolidated subsidiaries amortizes it by the straight-line method over a period (10 years) within the average remaining service years for employees at the time of recognition, starting from the fiscal year of occurrence.

With respect to actuarial differences, the Company expenses the entire amount of them in the fiscal year of occurrence, but two of the Company's domestic consolidated subsidiaries amortize them by the straight-line method over a period (five years or 10 years) within the average remaining service years for employees at the time of recognition, starting from the fiscal year following the fiscal year of occurrence.

3) Unrecognized actuarial differences and unrecognized prior service cost

Unrecognized actuarial differences and unrecognized prior service cost after tax effect adjustments are recorded as remeasurements of defined benefit plans classified in accumulated other comprehensive income of net assets.

4) Simplified accounting method by small-scale businesses, etc.

Certain domestic consolidated subsidiaries use simplified accounting methods in relation to the calculation of the retirement benefit liability and the retirement benefit expenses. In the case of the termination allowance plan, retirement benefit obligations are recorded as the amount to be paid for voluntary retirement as of fiscal year-end. In the case of the corporate pension plan, retirement benefit obligations are recorded as the amount of actuarial liability calculated under the latest pension funding program.

(6) Recognition of significant revenues and expenses

1) Accounting policy for sales and cost of sales arising from finance leases

Sales and cost of sales are recorded when lease payments should be received.

2) Accounting policy for revenue from operating leases

Based on the lease payments that should be received each month under the lease agreement based on the lease agreement periods, recorded as lease payments corresponding to such transitional period.

(7) Standard for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and exchange differences are treated as gains or losses.

Meanwhile, the assets, liabilities, income and expenses of overseas subsidiaries, etc. are mainly translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and exchange differences are recorded as foreign currency translation adjustment or non-controlling interests of net assets.

(8) Significant hedge accounting methods

1) Hedge accounting

Hedging activities are accounted for by the deferred hedge method. Interest rate swaps that satisfy the required conditions are subject to accounting under exceptional treatment.

2) Hedge instruments and hedged items

(a) Hedging instruments Interest rate swaps and forward exchange contracts

(b) Hedged items Borrowings and forecast transactions in foreign currencies

3) Hedging policies

The Company uses derivatives, in accordance with its internal "Basic Policy for Managing Market and Liquidity Risks," for the purpose of hedging risks associated with interest-rate and foreign currency fluctuations arising from its sales and financial operations.

4) Assessing hedge effectiveness

The assessment of hedge effectiveness of interest rate swaps is by the correlation between the change in aggregated amount of cash flow of the hedging instruments and the change in aggregated amount of cash flow of the hedged items and other factors.

With regard to forward exchange contracts, when the principal terms for the hedged items and hedging instruments are substantially the same, the hedge relationship is considered highly effective.

With regard to interest rate swaps subject to accounting under exceptional treatment an assessment of hedge effectiveness is omitted.

(9) Amortization method and period of goodwill

Apart from immaterial amounts, evenly amortized over a period not exceeding 20 years from the effective date.

(10) Scope of funds in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, demand deposits and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and have an insignificant risk of changes in value.

(11) Other important matters for preparing consolidated financial statements

1) Consumption taxes

Transactions are recorded exclusive of consumption taxes and local consumption taxes.

2) Adoption of consolidated taxation system

Some of the consolidated subsidiaries have adopted the consolidated taxation system.

II. Significant accounting estimates

Of the accounting estimates made in preparing the consolidated financial statements for the fiscal year ended March 31, 2021, the items that may have a significant impact on the consolidated financial statements for the following fiscal year are "Assets for lease (property, plant and equipment)."

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

¥632,299 million (U.S.$5,710,797 thousand)

(2) Information regarding significant accounting estimates for identified items

1) Method of calculation of amounts

The Company records the acquisition cost of leased assets under operating leases less accumulated depreciation. Depreciation is calculated mainly using the straight-line method with the lease agreement period as the depreciation period and the estimated disposal amount at the end of the lease agreement period as the residual value.

The estimated disposal amount is calculated based on the details of individual assets, individual contracts and other factors, taking into account future cash flows, discount rates, and net sales values, etc.

Note that an additional amount is booked as depreciation for the estimated amount of loss on disposal of assets for lease due to cancellation of lease agreements or customer insolvency, etc.

In assessing impairment of assets for lease, the Company groups assets, and for asset groups whose profitability has declined significantly, the book value of the assets for lease is written down to the recoverable amount, and the difference is recorded as an impairment loss.

2) Main assumptions used to calculate the amounts

The main assumption is the "future cash flow" for estimating the "residual value."

Future cash flows are evaluated individually based on the contractual terms, etc. and conditions of each project. The "future cash flows" for each individual lease contract are established based on external factors such as the economic environment, interest rate fluctuations, and competition in the market.

The Group recognizes that the spread of the novel coronavirus disease (COVID-19) will have a certain impact on cash flows derived mainly from leased properties. The Group expects that the impact of COVID-19 will continue to cause restrictions and uncertainty in economic activities, and that it will take time for the situation to subside. Although this situation is subject to uncertainty, the Group has made estimates based on available information.

3) Impact on the consolidated financial statements for the following fiscal year

The main assumption, "future cash flow" for estimating the "residual value," is subject to a high degree of estimation uncertainty, and any change in the assumptions used for the initial estimate may have a significant impact on the valuation of the assets for lease in the consolidated financial statements for the following fiscal year.

In addition, if the impact of COVID-19 on economic and corporate activities changes, it may affect the cash flow from leased properties, which may have a significant impact on the valuation of assets for lease in the consolidated financial statements for the following fiscal year.

III. Change in accounting policy

Not applicable

IV. New accounting standards and implementation guidances not yet applied

Accounting Standard for Revenue Recognition and related implementation guidances

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition. In May 2014, they published Revenue from Contracts with Customers (IFRS 15 for IASB and Topic 606 for FASB). As IFRS 15 is effective from the fiscal year commencing on or after January 1, 2018 and Topic 606 is effective from the fiscal year commencing after December 15, 2017, the ASBJ has developed comprehensive accounting standard together with its implementation guidance.

As a basic policy for the development of the Accounting Standard for Revenue Recognition by the ASBJ, from the viewpoint of comparability between financial statements, which is one of the benefits consistent with IFRS 15, the basic principles of IFRS 15 shall be adopted as the starting point, and accounting standards shall be established. In addition, in cases where there are items that should be considered in practice, etc., that have been conducted in Japan so far, alternative treatment shall be added to an extent that does not impair comparability.

(2) Scheduled date of adoption

Effective from the beginning of the fiscal year ending in March 31, 2022.

(3) Impact of adoption of such accounting standards and implementation guidances

The amounts that affect the consolidated financial statements by adopting the Accounting Standard for Revenue Recognition and related implementation guidances are currently being evaluated.

Accounting Standard for Fair Value Measurement, other standards and related implementation guidances

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) provide detailed guidance on fair value measurement that is similar in content (in International Financial Reporting Standards (IFRS), IFRS 13, Fair Value Measurement, and in US GAAP, Accounting Standards Codification Topic 820, Fair Value Measurement, respectively). In light of this, the ASBJ has been working to ensure the consistency of Japanese GAAP with international accounting standards, primarily with respect to guidance and disclosures regarding the fair value of financial instruments, and published the Accounting Standard for Fair Value Measurement, other standards and related implementation guidances.

As a basic policy for the development of the Accounting Standard for Fair Value Measurement by the ASBJ, all provisions of IFRS 13 shall be basically incorporated from the viewpoint of improving comparability of financial statements between companies in Japan and overseas by using a uniform calculation method. In addition, other treatment of individual items shall be provided to the extent that comparability between financial statements is not significantly impaired, taking into account the practices, etc., that have been conducted in Japan so far.

(2) Scheduled date of adoption

Effective from the beginning of the fiscal year ending in March 31, 2022.

(3) Impact of adoption of such accounting standards and implementation guidances

The amounts that affect the consolidated financial statements by adopting the Accounting Standard for Fair Value Measurement, other standards and related implementation guidances have not yet been determined.

V. Changes in presentation

Adoption of Accounting Standard for Disclosure of Accounting Estimates

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied in preparing the consolidated financial statements from the fiscal year ended March 31, 2021, and notes on significant accounting estimates in the consolidated financial statements have been included.

However, in said notes, comparative information for the previous fiscal year is not included, in accordance with the transitional treatment as prescribed in paragraph (11) of the said accounting standard.

Consolidated statements of income

"Distributions of profit or loss on silent partnerships," which had been included in "Other" under non-operating expenses until the previous fiscal year, is presented as a separate item from the fiscal year ended March 31, 2021 due to increased materiality of its amount. The amount of "Distributions of profit or loss on silent partnerships" for the previous fiscal year was ¥251 million.

VI. Additional information

Board Benefit Trust (BBT) Plan

Based on the resolution reached at the 49th Annual General Meeting of Shareholders held on June 22, 2018, the Company has introduced a new share-based payment plan or Board Benefit Trust (BBT) (the "Plan") for the Company's directors, excluding outside directors, (the "Eligible Directors") and executive officers who currently do not serve as directors (the "Executive Officers." The Eligible Directors and Executive Officers are hereinafter collectively referred to as the "Directors, etc.").

(1) Overview of the transaction

The Plan is a share-based payment plan, under which the Company's shares will be acquired by a trust (the trust to be established under the Plan is referred to hereinafter as the "Trust") using funds that the Company will contribute, and the Company's shares and cash equivalent to the market price of the Company's shares (the "Company's share, etc.") will be provided to the Eligible Directors from the Trust in accordance with

the Regulations for Provision of Shares to Officers established by the Company. In principle, the Company's shares, etc. will be provided to the Eligible Directors on their retirement.

(2) Treasury shares remaining in trust

The shares of the Company remaining in trust are recorded as treasury shares under net assets based on the book value in trust (excluding the amount of incidental costs). The book value and the number of shares of treasury shares under the Plan are ¥642 million (U.S.$5,802 thousand) and 96,700 shares as of March 31, 2021 and ¥680 million and 102,500 shares as of March 31, 2020.

(3) Book value of borrowings recorded based on the gross method

Not applicable

Impact of the spread of the Novel Coronavirus Disease (COVID-19) on accounting estimates

As of March 31, 2021, the Group calculated and considered reasonable amounts based on the information available at the time of preparing the consolidated financial statements for the collectability of lease receivables, etc., the profitability of assets for lease, etc., held by the Group, and determination of impairment of goodwill, etc.

With regard to the future economic outlook, we expect economic activities to continue to be restricted and uncertain due to the effects of COVID-19, and we expect that it will take time for the situation to subside. Although this situation is subject to uncertainty, we have made estimates based on available information.

Items and events that may have a significant impact on the consolidated financial statements as they pertain to the spread of COVID-19 are as follows:

a. Allowance for doubtful accounts

The Group records an allowance for doubtful accounts for the estimated amount of losses incurred in the event of uncollectible receivables. Allowance for doubtful accounts is recorded at an amount estimated to be uncollectible based on the historical default rates for general receivables, and on the basis of the collectability of doubtful receivables, distressed receivables, etc. on a case-by-case basis. Allowance for doubtful accounts may require additional allowances due to changes in the historical default rates and the judgment of the collectability of individual receivables, depending on the occurrence of bad debts, the status of collection of individual receivables, etc., after the spread of COVID-19.

b. Impairment of non-current assets (assets for lease, etc.)

In assessing the recoverability of impairment of non-current assets, the Group groups assets by company, and for asset groups whose profitability has declined significantly, the book value of non-current assets is written down to the recoverable amount, and the amount of the decrease is recorded as an impairment loss.

The recoverable amount of non-current assets is calculated based on the assumptions of future cash flows, discount rates, net sales value, etc. Therefore, if it becomes difficult to achieve the initial expected revenue due to the impact of the spread of COVID-19, or if the assumptions such as future cash flows change, an impairment loss on non-current assets may be recorded.

c. Impairment of goodwill

The Group estimates the effective period of goodwill and amortizes the goodwill over such period using the straight-line method. In addition, the Group is considering the economic benefits of goodwill based on the operating results of subsidiaries and business plans, etc. Due to the impact of the spread of COVID-19, if it becomes difficult to achieve the initial expected revenue in the future, and if the Group recognizes the need for impairment, it may record an impairment loss on goodwill in the future.

VII. Notes for consolidated balance sheets

***1 Accumulated depreciation for property, plant and equipment**

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Assets for lease	¥ 199,960	¥ 170,851	$ 1,806,005
Other operating assets	10,072	8,294	90,977
Own-used assets	1,985	2,950	17,935

***2 Investment securities in non-consolidated subsidiaries and associates were as follows:**

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Operational investment securities (other)	¥ 500	¥ 210	$ 4,516
Investment securities (shares)	25,531	23,344	230,595
(of which investment in joint ventures)	(24,347)	(23,239)	(219,905)
Investment securities (other)	3,802	701	34,342

***3 Assets pledged as collateral and liabilities secured by collateral**

(1) Assets pledged as collateral

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Cash and deposits	¥ 3,084	¥ 2,392	$ 27,855
Installment receivables	678	820	6,126
Lease receivables and investments in leases	15,133	19,819	136,684
Accounts receivable - other loans to customers	3,519	3,712	31,790
Accounts receivable - lease	92	—	836
Other (current assets)	—	79	—
Operating lease and other contract receivables	2,163	2,983	19,544
Assets for lease (property, plant and equipment)	65,306	26,123	589,835
Other operating assets (property, plant and equipment)	19,746	19,020	178,349
Own-used assets	—	11,185	—
Total	**¥ 109,725**	**¥ 86,137**	**$ 991,021**

Note: Besides the above assets pledged as collateral, the Company provided installment receivables (¥– million (U.S.$– thousand) in the fiscal year ended March 31, 2021, ¥16 million in the fiscal year ended March 31, 2020) and investment securities (¥612 million (U.S.$5,529 thousand) in the fiscal year ended March 31, 2021, ¥612 million in the fiscal year ended March 31, 2020) as third party security for bank loans taken out by business partners. The Company maintains deposits of investment securities (¥3 million (U.S.$27 thousand) and ¥3 million as of March 31, 2021 and March 31, 2020, respectively) for the purpose of sales transactions.

(2) Liabilities secured by collateral

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Other (current liabilities)	¥ 19	¥ 23	$ 175
Long-term borrowings (current portion included)	80,752	44,956	729,341
Long-term payables under securitization of lease receivables (current portion included)	109	159	987
Total	**¥ 80,881**	**¥ 45,139**	**$ 730,503**

4 Loan commitments in lending operations (as lender)

The unused credit balance, etc. in relation to loan commitment in lending operations was as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Total loan commitments	¥ 2,915	¥ 2,883	$ 26,328
Balance of loans extended	1,295	1,142	11,696
Difference	**¥ 1,620**	**¥ 1,741**	**$ 14,632**

Note that the above loan commitment agreements, a condition of lending is review of the borrower's use of funds and credit standing, etc., so this does not necessarily mean the full amount of loans will be extended.

5 Overdraft agreements and loan commitments (as borrower)

The Company has concluded overdraft agreements and loan commitment agreements with 74 correspondent financial institutions, etc. (79 in the fiscal year ended March 31, 2020) for the efficient procurement of working capital. The unused balance, etc. at the end of the fiscal years ended March 31, 2021 and 2020 based on these agreements was as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Upper limit on overdrafts and total loan commitments	¥ 1,003,822	¥ 972,809	$ 9,066,311
Balance of borrowings drawn	508,983	478,876	4,597,029
Difference	**¥ 494,839**	**¥ 493,932**	**$ 4,469,283**

6 Contingent liabilities

(1) Guarantees provided on borrowings, etc. of business partners, etc.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Mizuho Bank, Ltd. (Note)	¥ 16,898	¥ 14,398	$ 152,622
IBM Japan, Ltd. (Note)	3,629	283	32,783
Pacific Rim Capital, Inc.	2,863	—	25,863
Marubeni Fuyo Auto Investment (CANADA) Inc.	1,975	1,915	17,845
FANTASTIC FUNDING CORPORATION (Note)	1,551	1,748	14,015
Fuyo General Lease (Asia) Pte. Ltd. (Note)	—	1,705	—
Sumitomo Realty & Development Co., Ltd. (Note)	1,272	1,272	11,491
AEON Mall Co., Ltd.	1,152	1,207	10,407
JAPAN SECURITIZATION CORPORATION (Note)	943	956	8,518
AEON RETAIL CO., LTD.	681	682	6,159
XYMAX ALPHA Corporation (Note)	588	633	5,312
Sumitomo Mitsui Trust Bank, Limited (Note)	499	499	4,515
MONEY PARTNERS CO., LTD.	399	799	3,612
MaruzenJunkudo Bookstores Co., Ltd. (Note)	307	596	2,778
KRAFT HONSYA Co., Ltd. (Note)	262	—	2,370
JCAM AGRI. CO., LTD.	—	234	—
Employees (funds for purchasing housing)	8	10	73
Others (869 in the fiscal year ended March 31, 2021, 868 in the fiscal year ended March 31, 2020)	27,577	27,841	249,073
Total	**¥ 60,611**	**¥ 54,787**	**$ 547,434**

Note: The Company has guaranteed loans, etc. held by Mizuho Bank, Ltd. and others.

(2) One of the Company's domestic consolidated subsidiaries engaged in business guarantee operations and the balance of guarantees for borrowings of general customers and other entities was ¥39,296 million (U.S.$354,914 thousand) as of March 31, 2021 and ¥47,028 million as of March 31, 2020.

***7 Non-recourse debt included in borrowings were as follows:**

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Current portion of long-term non-recourse borrowings	¥ 9,496	¥ 4,531	$ 85,767
Long-term non-recourse borrowings	29,630	39,126	267,612
Total	**¥ 39,126**	**¥ 43,657**	**$ 353,379**

The assets corresponding to the non-recourse debt were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Accounts receivable - other loans to customers	¥ 34,928	¥ 39,454	$ 315,470
Assets for lease (property, plant and equipment)	5,674	5,767	51,252
Total	**¥ 40,603**	**¥ 45,222**	**$ 366,721**

***8 Payables under securitization of lease receivables, long-term payables under securitization of lease receivables**

Payables under securitization of lease receivables and long-term payables under securitization of lease receivables include the amount of funds raised through securitization of lease agreement receivables, etc.

Note that the balance of lease agreement receivables, etc. transferred through this was ¥121,497 million (U.S.$1,097,341 thousand) in the fiscal year ended March 31, 2021 and ¥147,132 million in the fiscal year ended March 31, 2020.

VIII. Notes for consolidated statements of income

***1 Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2020, were as follows:**

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Provision of allowance for doubtful accounts	¥ 1,355	¥ 564	$ 12,247
Bad debts expenses	474	770	4,284
Employees' salaries, allowances and bonuses	14,102	12,720	127,372
Provision for bonuses	2,261	2,135	20,422
Provision for bonuses for directors (and other officers)	181	182	1,642
Retirement benefit expenses	165	1,041	1,494
Provision for retirement benefits for directors (and other officers)	36	35	327
Provision for share awards for directors (and other officers)	178	189	1,615
Welfare expenses	3,219	2,917	29,082
Rent expenses	2,151	1,631	19,436
Depreciation	2,398	2,124	21,666
Amortization of goodwill	1,326	1,132	11,979

***2 Impairment losses**

The Group recorded impairment losses for the following asset groups:

FY2020 (From April 1, 2020 to March 31, 2021)

Location	Use	Type	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	¥ 1	$ 10

The Group classifies its asset groups based on offices, etc., as the minimum unit for generating cash flows. In addition, idle assets are grouped individually.

With respect to the telephone subscription rights mentioned above, due to a decrease in dormitories and company housing, etc., for which integrated telecommunication services for residential buildings are provided, one domestic consolidated subsidiary recorded an impairment loss for the entire amount of the book value of telephone subscription rights classified as idle with a memorandum value of ¥1 and a market value of zero in extraordinary losses.

FY2019 (From April 1, 2019 to March 31, 2020)

Location	Use	Type	Amount (Millions of yen)
Chiyoda-ku, Tokyo	Business assets	Software	¥ 1,274
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	1
Kingdom of Thailand	Business assets	Buildings, etc.	7

The Group classifies its asset groups based on offices, etc., as the minimum unit for generating cash flows. In addition, idle assets are grouped individually.

With respect to the software and buildings, etc., mentioned above, the Company and two domestic consolidated subsidiaries reviewed the impairment of non-current assets in accordance with this grouping. As a result, the book value of an asset group whose profit or loss from operating activities that is continually negative or is expected to be negative is reduced to the recoverable amount, and such reduced amount is recorded in extraordinary losses as an impairment loss. Excluding divertible assets, the recoverable amount is measured based on the value in use. However, since no future cash flows are expected, the value in use is evaluated as zero.

In addition, with respect to the telephone subscription rights mentioned above, due to a decrease in dormitories and company housing, etc., for which integrated telecommunication services for residential buildings are provided, one domestic consolidated subsidiary recorded an impairment loss for the entire amount of the book value of telephone subscription rights classified as idle with a memorandum value of ¥1 and a market value of zero in extraordinary losses.

***3 The breakdown of loss on disposal of non-current assets is as follows.**

Loss on retirement of non-current assets

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Buildings	¥ 7	¥ 9	$ 66
Equipment	13	2	118
Leased assets	8	—	72
Software	7	1	64
Total	**¥ 35**	**¥ 14**	**$ 321**

IX. Notes for consolidated statements of comprehensive income

***1 Reclassification adjustments and income tax effect relating to other comprehensive income**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Valuation difference on available-for-sale securities:			
Gains or losses arising during the year	¥ 18,434	¥ (3,948)	$ 166,497
Reclassification adjustments to profit or loss	(414)	504	(3,741)
Amount before income tax effect	18,020	(3,443)	162,756
Income tax effect	(5,525)	1,063	(49,908)
Valuation difference on available-for-sale securities	¥ 12,494	¥ (2,380)	$ 112,848
Deferred gains or losses on hedges:			
Gains or losses arising during the year	(2,236)	(91)	(20,204)
Reclassification adjustments to profit or loss	313	—	2,828
Amount before income tax effect	(1,923)	(91)	(17,376)
Income tax effect	94	(37)	850
Deferred gains or losses on hedges	¥ (1,829)	¥ (128)	$ (16,526)
Foreign currency translation adjustment:			
Gains or losses arising during the year	(3,593)	(686)	(32,459)
Foreign currency translation adjustment	¥ (3,593)	¥ (686)	$ (32,459)
Remeasurements of defined benefit plans, net of tax:			
Gains or losses arising during the year	140	(76)	1,268
Reclassification adjustments to profit or loss	38	(1)	351
Amount before income tax effect	179	(78)	1,619
Income tax effect	(55)	24	(497)
Remeasurements of defined benefit plans, net of tax	¥ 124	¥ (54)	$ 1,122
Share of other comprehensive income of entities accounted for using equity method:			
Gains or losses arising during the year	1,018	(1,169)	9,197
Reclassification adjustments to profit or loss	4	12	42
Share of other comprehensive income of entities accounted for using equity method	¥ 1,023	¥ (1,157)	$ 9,240
Total other comprehensive income	**¥ 8,218**	**¥ (4,408)**	**$ 74,224**

X. Notes for consolidated statements of changes in equity

FY2020 (From April 1, 2020 to March 31, 2021)

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares at the beginning of the year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the year (Shares)
Issued shares				
Common shares	30,287,810	—	—	30,287,810
Total	**30,287,810**	**—**	**—**	**30,287,810**
Treasury shares				
Common shares (Note)	315,734	51	24,900	290,885
Total	**315,734**	**51**	**24,900**	**290,885**

Notes: 1. The number of common shares in treasury shares at the end of the year includes the 96,700 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 51 increase in the number of common shares in treasury shares is due to an increase of the acquisition of fractional unit shares.
3. The 24,900 decrease in the number of common shares in treasury shares was a 19,100 decrease due to the exercise of stock options and a 5,800 decrease due to provision to the Board Benefit Trust (BBT).

2. Share acquisition rights and treasury shares acquisition rights

Category	Component of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (Shares)				Balance at the end of the year (Millions of yen)	Balance at the end of the year (Thousands of U.S. dollars)
			Beginning of the year	Increase	Decrease	End of the year		
Reporting company (parent company)	Share acquisition rights as stock options	—	—	—	—	—	¥ 704	$ 6,359

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 23, 2020 Annual General Meeting of Shareholders	Common shares	¥ 3,157	¥ 105	March 31, 2020	June 24, 2020
November 6, 2020 Board of Directors	Common shares	3,308	110	September 30, 2020	December 2, 2020

Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 23, 2020, include cash dividends of ¥10 million for the Company's shares held by Board Benefit Trust (BBT).
2. Total amount of cash dividends which resolved at Board of Directors held on November 6, 2020, include cash dividends of ¥10 million for the Company's shares held by Board Benefit Trust (BBT).

(2) Dividends for which record date is in this fiscal year but the effective date for the dividends is in the following fiscal year

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 23, 2021 Annual General Meeting of Shareholders	Common shares	¥ 3,912	Retained earnings	¥ 130	March 31, 2021	June 24, 2021

(Resolution)	Type of shares	Total amount of cash dividends (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 23, 2021 Annual General Meeting of Shareholders	Common shares	$ 35,334	Retained earnings	$ 1.17	March 31, 2021	June 24, 2021

Note: Total amount of cash dividends include cash dividends of ¥12 million (U.S.$114 thousand) for the Company's shares held by Board Benefit Trust (BBT).

FY2019 (From April 1, 2019 to March 31, 2020)

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares at the beginning of the year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the year (Shares)
Issued shares				
Common shares	30,287,810	—	—	30,287,810
Total	**30,287,810**	**—**	**—**	**30,287,810**
Treasury shares				
Common shares (Note)	142,465	204,569	31,300	315,734
Total	**142,465**	**204,569**	**31,300**	**315,734**

Notes: 1. The number of common shares in treasury shares at the end of the year includes the 102,500 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 204,569 increase in the number of common shares in treasury shares is due to an increase of 204,500 shares through the acquisition of treasury shares by resolution of the Board of Directors and an increase of 69 shares through the acquisition of fractional unit shares.
3. The 31,300 decrease in the number of common shares in treasury shares was a 29,200 decrease due to the exercise of stock options and a 2,100 decrease due to provision to the Board Benefit Trust (BBT).

2. Share acquisition rights and treasury shares acquisition rights

Category	Component of share acquisition rights	Type of shares to be issued upon exercise of share acquisition rights	Number of shares to be issued upon exercise of share acquisition rights (Shares)				Balance at the end of the year (Millions of yen)
			Beginning of the year	Increase	Decrease	End of the year	
Reporting company (parent company)	Share acquisition rights as stock options	—	—	—	—	—	¥ 764

3. Dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 21, 2019 Annual General Meeting of Shareholders	Common shares	¥ 3,327	¥ 110	March 31, 2019	June 24, 2019
November 6, 2019 Board of Directors	Common shares	3,006	100	September 30, 2019	December 3, 2019

Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 21, 2019, include cash dividends of ¥11 million for the Company's shares held by Board Benefit Trust (BBT).
2. Dividend per share which resolved at Annual General Meeting of Shareholders held on June 21, 2019, comprises an ordinary dividend of ¥96 and a commemorative dividend of ¥14.
3. Total amount of cash dividends which resolved at Board of Directors held on November 6, 2019, include cash dividends of ¥10 million for the Company's shares held by Board Benefit Trust (BBT).

(2) Dividends for which record date is in this fiscal year but the effective date for the dividends is in the following fiscal year

(Resolution)	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 23, 2020 Annual General Meeting of Share-holders	Common shares	¥ 3,157	Retained earnings	¥ 105	March 31, 2020	June 24, 2020

Note: Total amount of cash dividends include cash dividends of ¥10 million for the Company's shares held by Board Benefit Trust (BBT).

XI. Notes for consolidated statements of cash flows

***1 Relationship between cash and cash equivalents at end of period and cash and deposits stated on the consolidated balance sheets**

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Cash and deposits	¥ 98,926	¥ 77,436	$ 893,482
Time deposits with maturity of over three months	(172)	(19)	(1,562)
Cash and cash equivalents	¥ 98,753	¥ 77,416	$ 891,920

***2 Major components of assets and liabilities of a newly consolidated subsidiary due to acquisition of shares**

FY2020 (From April 1, 2020 to March 31, 2021)

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of YAMATO LEASE CO., LTD., and the relation between the acquisition cost of shares and proceeds for the acquisition (net price).

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 93,168	$ 841,475
Non-current assets	14,054	126,935
Goodwill	295	2,667
Current liabilities	(102,087)	(922,037)
Non-current liabilities	(7)	(64)
Non-controlling interests	(2,122)	(19,171)
Acquisition cost of shares	3,300	29,805
Cash and cash equivalents	(3,602)	(32,538)
Difference: net consideration provided for acquisition	¥ (302)	$ (2,733)

FY2019 (From April 1, 2019 to March 31, 2020)

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of LN Holdings, Co., Ltd., NOC Outsourcing & Consulting Inc., NOC Techno-Solutions Inc., and NOC Biz Partners Inc., and the relation between the acquisition cost of shares and expenditure for the acquisition (net price).

	Millions of yen
Current assets	¥ 3,139
Non-current assets	3,213
Goodwill	6,946
Current liabilities	(1,698)
Non-current liabilities	(2,116)
Valuation difference	(1,179)
Acquisition cost of shares	8,304
Cash and cash equivalents	(1,910)
Difference: net consideration paid for acquisition	¥ 6,393

XII. Lease transactions

As lessee

1. Finance leases (including intangible assets)

Finance lease transactions (including intangible assets) that do not transfer ownership

1) Details of leased assets

Mainly servers, network equipment and office equipment.

2) Depreciation method for leased assets

The depreciation method for leased assets is described in "4. Summary of significant accounting policies (2) Depreciation and amortization" under "Basis of presentation."

2. Operating leases

Future lease payments under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Within one year	¥ 550	¥ 590	$ 4,972
Over one year	1,412	2,068	12,756
Total	**¥ 1,962**	**¥ 2,659**	**$ 17,729**

As lessor

1. Finance leases

(1) Breakdown of investments in leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Lease receivables	¥ 991,818	¥ 1,011,779	$ 8,957,902
Estimated residual value	19,389	13,891	175,125
Future interest income	(114,018)	(116,139)	(1,029,792)
Investments in leases	¥ 897,190	¥ 909,531	$ 8,103,235

(2) Estimated collectible amount of portion of lease receivables arising from lease receivables and investments in leases after the consolidated balance sheet date

(Millions of yen)

	As of March 31, 2021					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	¥ 47,085	¥ 46,682	¥ 43,610	¥ 20,123	¥ 10,445	¥ 30,317
Investments in leases	283,648	218,393	153,987	99,952	61,038	174,798

(Thousands of U.S. dollars)

	As of March 31, 2021					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	$ 425,262	$ 421,627	$ 393,881	$ 181,755	$ 94,344	$ 273,823
Investments in leases	2,561,858	1,972,481	1,390,781	902,750	551,284	1,578,747

(Millions of yen)

	As of March 31, 2020					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Lease receivables	¥ 52,412	¥ 45,852	¥ 43,435	¥ 30,201	¥ 10,816	¥ 29,389
Investments in leases	287,795	202,639	172,453	108,626	63,064	177,199

(3) For finance lease transactions that do not transfer ownership under lease agreements concluded prior to April 1, 2008, the appropriate book value (net of accumulated depreciation or amortization) for the assets for lease as of March 31, 2008 is recorded as the price of the investments in leases at the beginning of the fiscal year.

In addition, the straight-line method is used for allocating to each period the equivalent amount of interest for such investments in leases for the period remaining after the application of the accounting standards, etc.

Note that the consequent impact is omitted for both the fiscal years ended March 31, 2021 and 2020 because of immateriality.

2. Operating leases

Future lease payments required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Within one year	¥ 58,140	¥ 53,313	$ 525,117
Over one year	268,800	266,201	2,427,752
Total	**¥ 326,941**	**¥ 319,515**	**$ 2,952,870**

3. Sublease transactions

Lease receivables and investments in leases, and lease obligations under sublease transactions on the consolidated balance sheets are before interest deductions

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Lease receivables and investments in leases	¥ 12,243	¥ 18,981	$ 110,580
Lease obligations (current liabilities)	14,600	20,081	131,865

XIII. Financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group is engaged in leasing and installment transactions for machinery, equipment, etc. and financial transactions such as the provision of operating loans. The Group uses direct and indirect financing to procure funds for purchasing assets to lease or to sell through installment sales and for providing operating loans to customers. The Group's indirect financing mainly consists of loans from financial institutions, and its direct financing includes issuing bonds payable, commercial papers and securitization of receivables. As the Group holds financial assets and financial liabilities that are subject to interest rate fluctuation, assets and liabilities are comprehensively managed through asset-liability management (ALM) to mitigate the negative impact of interest rate fluctuations.

Derivatives are only used for mitigating currency and interest rate fluctuation risks and are not used for speculative purposes.

(2) Details of financial instruments and associated risks

Lease receivables and investments in leases, and operating loans are trade receivables due from customers and subject to credit risks associated with customer default. Foreign currency-denominated receivables and payables arising from overseas business are subject to risks associated with foreign currency fluctuations.

Operational investment securities and investment securities include business partners' shares, bonds, and investments in limited partnerships, etc. Those investments are subject to credit risks associated with the issuers and market price fluctuation risks.

Bonds payable, commercial papers, lease obligations, long-term borrowings, and long-term payables under securitization of lease receivables are used to procure funds for purchasing assets to lease or sell through installment sales to customers. These payables are subject to risks that may compel the Company to procure funds with exceptionally high interest rates and to liquidity risks (funding risks) that may negatively affect the Company's ability to obtain funding and result in losses.

A portion of long-term borrowings have floating interest rates and are therefore subject to interest rate fluctuation risks.

The Company uses foreign currency-related derivatives to reduce risks associated with foreign currency fluctuations that affect foreign currency-denominated receivables and payables. The Company uses interest rate-related derivatives to reduce interest rate fluctuation risks that affect borrowings. Please refer to the aforementioned in "4. Summary of significant accounting policies (8) Significant hedge accounting methods" under "Basis of presentation" in regard to hedge accounting methods for hedge accounting, hedging instruments and hedged items, hedging policies and methods for assessing hedge effectiveness, etc.

(3) Risk management system for financial instruments

1) Management of credit risks (default risks, etc.)

The Company's management system and rules for credit risks are prescribed in its internal "Basic Policy for Managing Credit Risks."

For all transactions that involve credit risks such as leases, installment sales, selling and purchasing, financing, and guarantee operations, the Company uses a credit risk measurement method, etc., identifies on a timely basis the location and size of credit risks, and responds adequately as necessary.

The Company's credit risk department is engaged in the following duties: 1) daily monitoring of the effectiveness of the credit risk management system, 2) screening and management of credit transactions involving business partners, 3) maintenance and enhancement of risk asset soundness, 4) enhancement of protection against doubtful receivables and implementation of measures related to collection of those receivables, and 5) guidance, support, etc. for the Company's offices and subsidiaries and associates. The department also rates debtors based on their financial status, etc. and degree of credit risk (i.e., their ability to pay debts). The credit ratings are used for credit risk management, portfolio investment and management, credit risk measurement, guidelines on pricing of individual credits, and self-assessment and recognition of adequate credit allowances, etc. based on the self-assessments. Further, the department regularly monitors the status of the Company's main business partners, manages payment-due dates and credit balances on a customer-by-customer basis, and closely monitors customers to identify potential impediments to the collectability of receivables (e.g., due to worsening financial condition) and takes steps to mitigate such impediments.

The effectiveness and appropriateness of credit risk management are examined through internal audits.

2) Management of market risks (risks associated with foreign exchange rates, interest rates, etc.)

The Company's market risk management rules and procedures are prescribed in its internal "Basic Policy for Managing Market and Liquidity Risks."

Market risks are controlled by comprehensively examining various factors such as financial position (revenues and shareholders' equity), balance between target revenues and risk levels, interest rate prospects, market environments, past results, and the level of risk management for various risks. The Company manages its exposure to risks when deemed necessary for the purpose of reducing risks and expanding revenues.

The Company's ALM Committee meets once a month as a general rule, and on an ad-hoc basis as needed, to review and examine practical measures related to market risk management and to monitor performance. At the monthly meeting, etc., the finance division reports on matters related to market risk management, including the status of market risk control, interest rate prospects, developments of market environment, etc., and hedge transactions, etc.

The Company's consolidated subsidiaries are subject to the Company's "Basic Policy for Managing Market and Liquidity Risks."

(i) Interest rate fluctuation risk management

The Company comprehensively manages interest rate fluctuation risks using ALM. The ALM Committee ascertains and monitors the status of ALM operations and discusses future direction and strategy based on the Company's ALM policies.

(ii) Foreign exchange risk management

The Company manages foreign exchange risk on a case-by-case basis, using forward exchange contracts as a general rule.

(iii) Price fluctuation risk management

With regard to operational investment securities and investment securities, the Company regularly monitors the fair value of these securities as well as the financial status of issuers and continuously reviews its financial position considering market conditions and its relationship with the issuers.

(iv) Derivatives

With regard to derivatives, the Company uses forward exchange contracts for the purpose of hedging risks associated with foreign

currency fluctuations that affect its foreign currency-denominated receivables and payables. The Company uses interest rate swap contracts for the purpose of hedging interest rate fluctuation risks that affect its borrowings.

The Company's finance division is authorized to engage in and manage derivatives, in accordance with internal regulations and individuals authorized on job responsibilities and pursuant to the approval of the Company's president (CEO) or officer in charge of the finance division.

The Company's consolidated subsidiaries' derivative-related transactions are subject to the Company's internal regulations "Basic Policy for Managing Market and Liquidity Risks." In accordance with the Company's "Regulations on Managing Subsidiaries and Associates," the Company's consolidated subsidiaries report to the Company on derivative-related transactions. These reports explain the subsidiary's policy on engaging in the transaction, provide a validation of the transaction's objective, and detail the derivatives' status, counterparties, outstanding positions, and unrealized gains or losses.

(v) Quantitative information on market risk

The major types of financial instruments affected by interest rate risk, the Group's main risk factors, are "Installment receivables," "Lease receivables and investments in leases," "Operating loans," other marketable securities recorded under "Operational investment securities and investment securities," "Bonds payable," "Long-term borrowings," "Long-term payables under securitization of lease receivables," and interest rate swaps contracts included in "Derivatives." The Group performs quantitative analysis in managing the risk of interest rate fluctuations. This quantitative analysis incorporates the potential change in value of these financial assets and liabilities based on a reasonable range of potential interest rate movements. To calculate the potential change in value, the financial assets and liabilities are split into fixed-rate and variable-rate categories. For the fixed-rate category, the Company allocates the book value of the instruments into appropriate categories based on their interest-payment dates and applies an appropriate potential range of interest rate movements to each category. Assuming all risk factors other than interest rates remain constant, as of the fiscal year-end, a 10 basis point (0.1%) change in interest rates would result in a change of ¥3,892 million (U.S.$35,153 thousand) for the fiscal year ended March 31, 2021 and a change of ¥3,784 million for the fiscal year ended March 31, 2020 in the fair value of these financial assets and liabilities. This potential change in value is based on the assumption that all risk factors other than interest rates remain constant and does not incorporate the effects of correlation between interest rates and the other risk factors. If interest rates fluctuate beyond the assumed reasonable range, the value of these financial assets and liabilities may be affected by more than the Group has estimated.

3) Management of liquidity risks associated with funding (risks of failure to pay on due date)

The Company's management system and rules for liquidity risks are prescribed in its internal "Basic Policy for Managing Market and Liquidity Risks."

With regard to liquidity risks (funding risks), the Company's finance division rigorously controls funding for ordinary operations. The division prepares daily statements of cash receipts/disbursements and an outlook of weekly and monthly cash receipts/disbursements, analyzes investment and cash receipt/disbursement data, and receives reports, etc. from each division to determine the impact on the Company's funding activities. The division also adequately controls liquidity, enhances capital efficiency, and optimizes liquidity risks and funding costs.

Funding is measured by adequately monitoring economic conditions, market environments, etc. Liquidity risks are allocated to management categories by level of funding and managed based on predetermined response policies and implementation standards for each category.

The Company's finance division also monitors consolidated subsidiaries' funding status and takes appropriate action as necessary based on that status.

(4) Supplementary explanation related to fair values, etc. of financial instruments

The fair value of a financial instrument represents its market value or a reasonably calculated value if a market value is not available. Because calculations involve variable inputs, the results of calculations may vary depending on what premises and assumptions are used. Contract amounts and other derivatives data presented in "Derivatives" are nominal contract amounts or notional amounts used in calculations and do not indicate the amount of exposure.

2. Fair values, etc. of financial instruments

The book values, the fair values and their differences are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (See Note 2). Financial assets and liabilities, etc. not included in the following table are omitted from disclosure as they are immaterial in terms of value.

As of March 31, 2021

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Cash and deposits	¥ 98,926	¥ 98,926	¥ —
(2) Installment receivables*1,2	83,386	84,536	1,149
(3) Lease receivables and investments in leases*2	1,079,217	1,138,436	59,219
(4) Operating loans*2	305,953	310,558	4,604
(5) Operational investment securities and investment securities			
Other securities	242,708	242,708	—
Total assets	**¥ 1,810,192**	**¥ 1,875,166**	**¥ 64,973**
(1) Short-term borrowings	¥ 564,585	¥ 564,585	¥ —
(2) Commercial papers	470,200	470,200	—
(3) Lease obligations (current liabilities and non-current liabilities)	15,733	15,733	—
(4) Bonds payable (current portion included)	221,072	221,570	498
(5) Long-term borrowings (current portion included)	1,074,278	1,083,061	8,783
(6) Long-term payables under securitization of lease receivables (current portion included)	70,757	70,766	9
Total liabilities	**¥ 2,416,626**	**¥ 2,425,917**	**¥ 9,291**
Derivatives*3			
(i) Hedge accounting not applied	¥ —	¥ —	¥ —
(ii) Hedge accounting applied	(582)	(704)	(122)
Total derivatives	**¥ (582)**	**¥ (704)**	**¥ (122)**

	Thousands of U.S. dollars		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Cash and deposits	$ 893,482	$ 893,482	$ —
(2) Installment receivables*1,2	753,130	763,514	10,384
(3) Lease receivables and investments in leases*2	9,747,271	10,282,126	534,855
(4) Operating loans*2	2,763,309	2,804,898	41,589
(5) Operational investment securities and investment securities			
Other securities	2,192,092	2,192,092	—
Total assets	**$ 16,349,285**	**$ 16,936,113**	**$ 586,827**
(1) Short-term borrowings	$ 5,099,217	$ 5,099,217	$ —
(2) Commercial papers	4,246,749	4,246,749	—
(3) Lease obligations (current liabilities and non-current liabilities)	142,099	142,099	—
(4) Bonds payable (current portion included)	1,996,676	2,001,180	4,504
(5) Long-term borrowings (current portion included)	9,702,658	9,781,986	79,329
(6) Long-term payables under securitization of lease receivables (current portion included)	639,068	639,152	84
Total liabilities	**$ 21,826,467**	**$ 21,910,383**	**$ 83,916**
Derivatives*3			
(i) Hedge accounting not applied	—	—	—
(ii) Hedge accounting applied	$ (5,260)	$ (6,364)	$ (1,104)
Total derivatives	**$ (5,260)**	**$ (6,364)**	**$ (1,104)**

*1. Net of deferred profit on installment sales.
*2. Net of general and specific allowances for doubtful accounts related to installment receivables, lease receivables and investments in leases, and operating loans.
*3. Assets and liabilities arising from derivatives are carried at net amounts with amounts in parentheses representing a net liability position.

As of March 31, 2020

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Cash and deposits	¥ 77,436	¥ 77,436	¥ —
(2) Installment receivables*1,2	78,362	79,706	1,343
(3) Lease receivables and investments in leases*2	1,105,398	1,159,082	53,683
(4) Operating loans*2	306,444	309,853	3,408
(5) Operational investment securities and investment securities			
Other securities	207,295	207,295	—
Total assets	**¥ 1,774,937**	**¥ 1,833,373**	**¥ 58,435**
(1) Short-term borrowings	¥ 530,317	¥ 530,317	¥ —
(2) Commercial papers	450,700	450,700	—
(3) Lease obligations (current liabilities and non-current liabilities)	20,720	20,720	—
(4) Bonds payable (current portion included)	170,000	169,756	(243)
(5) Long-term borrowings (current portion included)	954,837	965,448	10,610
(6) Long-term payables under securitization of lease receivables (current portion included)	96,265	96,710	444
Total liabilities	**¥ 2,222,841**	**¥ 2,233,652**	**¥ 10,811**
Derivatives*3			
(i) Hedge accounting not applied	¥ —	¥ —	¥ —
(ii) Hedge accounting applied	(559)	(716)	(157)
Total derivatives	**¥ (559)**	**¥ (716)**	**¥ (157)**

*1. Net of deferred profit on installment sales.
*2. Net of general and specific allowances for doubtful accounts related to Installment receivables, lease receivables and investments in leases, and operating loans.
*3. Assets and liabilities arising from derivatives are carried at net amounts with amounts in parentheses representing a net liability position.

Notes:

1. Measurements of fair value of financial instruments, and securities and derivatives

Assets

(1) Cash and deposits

The fair values of deposits that have no maturity are based on their book value, which closely approximate their fair values.

(2) Installment receivables

Fair values are calculated by discounting uncollected receivables at the rate applied to new contracts. The Company calculates the fair values of doubtful receivables by deducting estimated losses on bad debts from their book values as of the consolidated balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debts are calculated based on estimated cash flows or estimated net realizable value, etc. covered by collateral or guaranty.

(3) Lease receivables and investments in leases

Present values of lease receivables and investments in leases are calculated by subtracting major administrative and maintenance expenses from the total of uncollected lease receivables and lease payment receivables. The Company calculates the fair values of doubtful receivables by deducting estimated losses on bad debts from their book values as of the consolidated balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debts are calculated based on estimated cash flows or estimated net realizable value, etc. covered by collateral or guaranty.

Lease receivables and investments in leases under sublease contracts are recorded on the consolidated balance sheets before interest deductions. The amount recorded as the fair value is the book value on the consolidated balance sheet. The difference between (a) the fair valued calculated by discounting at the rate applied to new contracts and (b) their book value of lease receivables and investments in leases under sublease contracts is ¥320 million (U.S.$2,890 thousand) as of March 31, 2021 and ¥390 million as of March 31, 2020.

(4) Operating loans

Fair values of floating-rate operating loans are based on their book value. Market rates are reflected in the rates on floating-rate operating loans in a short period of time, so their book value closely approximate their fair values as long as the borrower credit status does not change materially after loan issuance. Fair values of fixed-rate operating loans are calculated by discounting total principal and interest for each borrower at the rate applied to new contracts. The Company calculates the fair values of doubtful receivables by deducting estimated losses on bad debts from their book values as of the consolidated balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debts are calculated based on estimated cash flows or estimated net realizable value, etc. covered by collateral or guaranty.

(5) Operational investment securities and investment securities

Fair values are based on amounts obtained from relevant financial and other institutions. In addition, please refer to "Securities" in regard to other securities.

Liabilities

(1) Short-term borrowings,
(2) Commercial papers

Fair values of short-term borrowings and commercial papers are based on their book value because they are settled over the short-term, so their book value closely approximate their fair values.

(3) Lease obligations (current liabilities and non-current liabilities)

Lease obligations are stated on the consolidated balance sheets before interest deductions. The amount recorded as the fair value is their book value on the balance sheets. The difference between the fair value calculated by discounting at the rate applied to new contracts and their book value of lease obligations is ¥106 million (U.S.$966 thousand) as of March 31, 2021 and ¥145 million as of March 31, 2020.

(4) Bonds payable (current portion included),
(5) Long-term borrowings (current portion included),
(6) Long-term payables under securitization of lease receivables (current portion included)

Fair values of floating-rate loans and payables in these categories are based on their book value. Market rates are reflected in the rates on these loans and payables in a short period of time, and the Company's credit status has not changed materially since issuance, so their book value are deemed to closely approximate to their fair values. To calculate the fair values of fixed-rate loans and payables in these categories, the instruments are first allocated to categories according to maturity terms. Total principal and interest for each category is discounted at a notional rate that is assumed would apply to borrowing in the same amount.

Derivatives

Please refer to "Derivatives."

2. Financial instruments whose fair values are deemed extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Other securities			
Unlisted shares*1	¥ 7,271	¥ 6,615	$ 65,675
Subsidiary's shares / associates' shares*1	29,333	24,045	264,937
Preferred securities / beneficial interest in trusts, etc.*1	5,962	5,225	53,855
Investments in limited partnerships, etc.*2	110,771	83,639	1,000,462
Total	**¥ 153,339**	**¥ 119,526**	**$ 1,384,930**

*1. These are not included in "(5) Operational investment securities and investment securities" because their market values are not available, and it is deemed extremely difficult to determine their fair values.
*2. Within investments in limited partnerships, etc., the fair values of partnership assets consisting of investments whose fair values are deemed extremely difficult to determine are not included.

3. Redemption schedule by term for monetary receivables and securities with maturity after the consolidated balance sheet dates

As of March 31, 2021

	Millions of yen			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash and deposits	¥ 98,926	¥ —	¥ —	¥ —
Installment receivables	33,740	45,926	2,585	2,293
Lease receivables and investments in leases	302,286	601,362	127,095	50,053
Operating loans	52,752	223,130	25,935	4,817
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	—	—	—	—
Bonds (corporate bonds)	4,804	19,751	31,855	—
Bonds (other)	—	—	—	—
Other	7,712	99,649	32,686	11,730
Total	**¥ 500,222**	**¥ 989,819**	**¥ 220,157**	**¥ 68,894**

	Thousands of U.S. dollars			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash and deposits	$ 893,482	$ —	$ —	$ —
Installment receivables	304,737	414,796	23,348	20,717
Lease receivables and investments in leases	2,730,187	5,431,377	1,147,899	452,075
Operating loans	476,448	2,015,268	234,242	43,507
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	—	—	—	—
Bonds (corporate bonds)	43,396	178,392	287,712	—
Bonds (other)	—	—	—	—
Other	69,659	900,013	295,213	105,946
Total	**$ 4,517,909**	**$ 8,939,847**	**$ 1,988,414**	**$ 622,244**

As of March 31, 2020

	Millions of yen			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash and deposits	¥ 77,436	¥ —	¥ —	¥ —
Installment receivables	31,281	44,425	1,993	2,053
Lease receivables and investments in leases	307,532	619,910	132,607	46,789
Operating loans	56,887	213,086	31,600	5,550
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	—	—	—	—
Bonds (corporate bonds)	3,307	18,288	11,243	—
Bonds (other)	—	—	—	—
Other	449	80,287	30,918	3,346
Total	**¥ 476,895**	**¥ 975,997**	**¥ 208,363**	**¥ 57,739**

4.Repayment schedule by term for bonds payable, long-term borrowings, and other interest-bearing debt after the consolidated balance sheet dates.

As of March 31, 2021

	Millions of yen					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	¥ 564,585	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	470,200	—	—	—	—	—
Lease obligations	5,364	3,895	2,800	1,584	689	1,398
Bonds payable	30,000	30,000	45,000	35,000	31,072	50,000
Long-term borrowings	308,274	252,597	215,279	116,210	71,911	110,005
Long-term payables under securitization of lease receivables	32,117	20,650	6,923	7,354	3,587	124
Total	**¥ 1,410,541**	**¥ 307,143**	**¥ 270,004**	**¥ 160,149**	**¥ 107,260**	**¥ 161,527**

	Thousands of U.S. dollars					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	$ 5,099,217	$ —	$ —	$ —	$ —	$ —
Commercial papers	4,246,749	—	—	—	—	—
Lease obligations	48,449	35,186	25,297	14,311	6,227	12,628
Bonds payable	270,954	270,954	406,431	316,113	280,636	451,590
Long-term borrowings	2,784,271	2,281,407	1,944,357	1,049,592	649,488	993,542
Long-term payables under securitization of lease receivables	290,077	186,508	62,535	66,424	32,399	1,125
Total	**$12,739,716**	**$ 2,774,054**	**$ 2,438,620**	**$ 1,446,440**	**$ 968,751**	**$ 1,458,885**

As of March 31, 2020

	Millions of yen					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	¥ 530,317	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	450,700	—	—	—	—	—
Lease obligations	7,417	4,999	3,510	2,264	1,051	1,477
Bonds payable	20,000	30,000	30,000	25,000	35,000	30,000
Long-term borrowings	274,820	233,864	177,699	104,495	75,666	88,291
Long-term payables under securitization of lease receivables	41,396	29,493	17,023	3,509	4,792	51
Total	**¥ 1,324,651**	**¥ 298,356**	**¥ 228,233**	**¥ 135,268**	**¥ 116,510**	**¥ 119,820**

XIV. Securities

1. Other securities

As of March 31, 2021

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 74,966	¥ 15,983	¥ 58,982
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	91,975	90,300	1,675
	3) Other	—	—	—
	(3) Other	59,109	55,071	4,038
	Subtotal	**226,051**	**161,354**	**64,696**
Securities whose book value does not exceed their acquisition cost	(1) Shares	1,815	2,145	(330)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	7,999	8,000	(0)
	3) Other	—	—	—
	(3) Other	6,842	6,966	(123)
	Subtotal	**16,657**	**17,111**	**(454)**
Total		**¥ 242,708**	**¥ 178,466**	**¥ 64,241**

	Type	Thousands of U.S. dollars		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	$ 677,078	$ 144,364	$ 532,714
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	830,701	815,571	15,131
	3) Other	—	—	—
	(3) Other	533,868	497,390	36,479
	Subtotal	**2,041,647**	**1,457,324**	**584,323**
Securities whose book value does not exceed their acquisition cost	(1) Shares	16,393	19,379	(2,986)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	72,252	72,254	(3)
	3) Other	—	—	—
	(3) Other	61,800	62,917	(1,116)
	Subtotal	**150,445**	**154,550**	**(4,105)**
Total		**$ 2,192,092**	**$ 1,611,874**	**$ 580,218**

Note: Unlisted shares, etc. (Book value ¥124,005 million (U.S.$1,119,993 thousand)) are not included in the above "Other securities" because their market values are not available, and it is deemed extremely difficult to determine their fair values.

As of March 31, 2020

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 59,723	¥ 13,746	¥ 45,977
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	64,874	64,200	674
	3) Other	—	—	—
	(3) Other	22,930	20,883	2,047
	Subtotal	**147,528**	**98,829**	**48,698**
Securities whose book value does not exceed their acquisition cost	(1) Shares	2,739	3,558	(819)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	—	—	—
	2) Corporate bonds	27,582	27,710	(127)
	3) Other	—	—	—
	(3) Other	29,444	30,512	(1,068)
	Subtotal	**59,766**	**61,781**	**(2,014)**
Total		**¥ 207,295**	**¥ 160,611**	**¥ 46,683**

Note: Unlisted shares, etc. (Book value ¥95,480 million) are not included in the above "Other securities" because their market values are not available, and it is deemed extremely difficult to determine their fair values.

2. Other securities sold

FY2020 (From April 1, 2020 to March 31, 2021)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 7	¥ 2	¥ —
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	**¥ 7**	**¥ 2**	**¥ —**

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain	Total loss
(1) Shares	$ 64	$ 23	$ —
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	**$ 64**	**$ 23**	**$ —**

FY2019 (From April 1, 2019 to March 31, 2020)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 406	¥ 395	¥ 0
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	**¥ 406**	**¥ 395**	**¥ 0**

3. Impairment losses on securities

During the fiscal year ended March 31, 2021, impairment loss recorded on securities amounted to ¥1 million (U.S.$15 thousand) (securities classified as other securities: ¥1 million (U.S.$15 thousand)) and during the fiscal year ended March 31, 2020, impairment loss recorded on securities amounted to ¥545 million (securities classified as other securities: ¥545 million).

The Company recognizes the impairment losses where the decline in the price at year end is greater than or equal to 50% of the acquisition cost. Where the decline in the price is between 30% and less than 50% of the acquisition cost, the Company may recognize impairment losses, taking into consideration the credit rating of the issuer, the materiality of the amount, the likelihood of the securities recovering in price, etc., as well as the analysis of the level of market price by looking at the gap between the book value and the highest and lowest price and other data during the fiscal years ended March 31, 2021 and 2020.

XV. Derivatives

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency-related derivatives

As of March 31, 2021

Not applicable

As of March 31, 2020

Not applicable

(2) Interest rate-related

As of March 31, 2021

Not applicable

As of March 31, 2020

Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related derivatives

As of March 31, 2021

Not applicable

As of March 31, 2020

Not applicable

(2) Interest rate-related contracts

As of March 31, 2021

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	¥ 86,031	¥ 70,750	¥ (582)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	23,212	15,822	(122)
Total			¥ **109,243**	¥ **86,572**	¥ **(704)**

Hedge accounting	Type of contracts	Hedged item	Thousands of U.S. dollars		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	$ 777,015	$ 639,005	$ (5,260)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	209,654	142,902	(1,104)
Total			$ **986,669**	$ **781,906**	$ **(6,364)**

Note: Measurements of the fair value

The fair values are based on the amounts, etc. presented by relevant financial and other institutions.

As of March 31, 2020

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	¥ 101,26	¥ 86,430	¥ (559)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	37,048	23,319	(157)
Total			¥ **138,314**	¥ **109,749**	¥ **(716)**

Note: Measurements of the fair value

The fair values are based on the amounts, etc. presented by relevant financial and other institutions.

XVI. Retirement benefits

1. Overview of the Group's retirement benefits plan

The Company has a defined-benefit corporate pension fund plan (established by the Company and Group companies) and a defined-benefit corporate pension plan as its defined-benefit system, and it also has a defined-contribution pension plan as its defined-contribution system.

The defined-benefit corporate pension fund plan is the only fund type and provides a lump-sum payment or pension based on the employees' final salary points and lengths of service. Furthermore, certain defined-benefit corporate pension fund plans have retirement benefit trusts.

The defined-benefit corporate pension fund plan (established by the Company and Group companies) which is multi-employer type of pension plan is accounted for in the same manner as a defined-contribution pension plan because it is not possible to reasonably estimate the value of plan assets corresponding to the contribution of each company.

The defined-contribution pension plan was transferred from a termination allowance plan on November 1, 2009. The defined-contribution pension plan, under which employees are participants, is funded by the contributions based on the participant's plan course and eligibility.

Some of the domestic consolidated subsidiaries have a defined-benefit corporate pension plan and a termination allowance plan as its defined-benefit pension system.

Some of the domestic consolidated subsidiaries, which have a defined-benefit corporate pension plan and a termination allowance plan, use simplified accounting methods for calculation of retirement benefit liability and retirement benefit expenses. In the termination allowance plan, retirement benefit obligations are recorded in the amount to be paid for voluntary retirement as of fiscal year-end. In the corporate pension plan, retirement benefit obligations are recorded in the amount of actuarial liability calculated under the latest pension funding programs.

The Company and some of its domestic consolidated subsidiaries may make lump-sum payments of premium retirement benefits to some employees at their retirement and certain situation.

2. Defined-benefit pension plan (excluding pension plans using the simplified accounting methods)

(1) Reconciliation of retirement benefit obligations as of beginning of year and as of end of year

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Retirement benefit obligations at beginning of year	¥ 11,841	¥ 11,581	$ 106,952
Service cost	558	571	5,043
Interest cost	59	58	540
Actuarial gains or losses	(121)	7	(1,094)
Retirement benefits paid	(452)	(377)	(4,090)
Increase by the new consolidated subsidiary	331	—	2,992
Retirement benefit obligations at end of year	¥ **12,217**	¥ **11,841**	$ **110,343**

(2) Reconciliation of plan assets as of beginning of year and as of end of year

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Plan assets at beginning of year	¥ 10,360	¥ 10,392	$ 93,577
Expected return on plan assets	207	249	1,874
Actuarial gains or losses	734	(383)	6,638
Contribution from employer	477	473	4,309
Retirement benefits paid	(440)	(371)	(3,974)
Increase by the new consolidated subsidiary	391	—	3,536
Plan assets at end of year	¥ **11,731**	¥ **10,360**	$ **105,960**

(3) Reconciliation of retirement benefit obligations and plan assets at end of fiscal year and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Retirement benefit obligations for funded pension plans	¥ 12,217	¥ 11,841	$ 110,343
Plan assets	(11,731)	(10,360)	(105,960)
Net assets or liabilities recorded in the consolidated balance sheets	**485**	**1,480**	**4,383**
Retirement benefit liability	549	1,480	4,966
Retirement benefit asset	(64)	—	(583)
Net assets or liabilities recorded in the consolidated balance sheets	¥ **485**	¥ **1,480**	$ **4,383**

(4)Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Service cost	¥ 558	¥ 571	$ 5,043
Interest cost	59	58	540
Expected return on plan assets	(207)	(249)	(1,874)
Amortization of actuarial loss	(668)	311	(6,039)
Other	(37)	(48)	(340)
Retirement benefit expenses for defined-benefit pension plan	**¥ (295)**	**¥ 643**	**$ (2,671)**

(5)Remeasurements of defined benefit plans

The components of items recorded in remeasurements of defined benefit plans, net of tax included in other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Actuarial gains or losses	¥ 179	¥ (78)	$ 1,619

(6) Remeasurements of defined benefit plans

The components of items recorded in remeasurements of defined benefit plans, net of tax included in accumulated other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Unrecognized actuarial gains or losses	¥ (2)	¥ 176	$ (23)

(7)Plan assets

1) Breakdown of plan assets

Ratio of each major component of plan assets was as follows:

	As of March 31, 2021	As of March 31, 2020
	%	%
Bonds	35	38
Shares	21	15
Cash and deposits	4	6
General account	30	31
Other	10	10
Total	**100**	**100**

Note: The total includes retirement benefits trust established for corporate pension plan at 5% in the fiscal year ended March 31, 2021 and 5% in the fiscal year ended March 31, 2020.

2) Estimation of expected long-term rate of return on plan assets

Expected long-term rate of return on plan assets is estimated based on current and expected future distribution of plan assets as well as current and expected future long-term rate of return on various components of plan assets.

(8) Basis for actuarial calculation

Major basis for actuarial calculation

	As of March 31, 2021	As of March 31, 2020
	%	%
Discount rate	0.10 - 0.98	0.37 - 0.98
Expected long-term rate of return	1.00 - 2.50	2.37 - 2.50
Expected increase in salary	1.28 - 3.75	1.28 - 3.75

3. Defined-benefit pension plans using the simplified accounting methods

(1) Reconciliation of retirement benefit liability for the pension plans using the simplified accounting methods as of beginning of year and as of end of year

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Retirement benefit liability at beginning of year	¥ 696	¥ 681	$ 6,295
Retirement benefit expenses	142	135	1,290
Retirement benefits paid	(87)	(120)	(789)
Retirement benefit liability at end of year	**¥ 752**	**¥ 696**	**$ 6,796**

(2) Reconciliation of retirement benefit obligations and plan assets at end of fiscal year and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Retirement benefit obligations for funded pension plans	¥ 514	¥ 473	$ 4,648
Plan assets	(156)	(145)	(1,414)
	358	328	3,234
Retirement benefit obligations for unfunded pension plans	394	368	3,562
Net assets or liabilities recorded in the consolidated balance sheets	752	696	6,796
Retirement benefit liability	752	696	6,796
Net assets or liabilities recorded in the consolidated balance sheets	**¥ 752**	**¥ 696**	**$ 6,796**

(3) Retirement benefit expenses

Retirement benefit expenses calculated by simplified accounting method

FY2020 (April 1, 2020 - March 31, 2021): ¥142 million (U.S.$1,290 thousand)

FY2019 (April 1, 2019 - March 31, 2020): ¥135 million

4. Defined contribution plan

In the fiscal years ended March 31, 2021 and 2020 the amount required to be contributed by the Company to the defined-contribution pension plan amounted to ¥82 million (U.S.$742 thousand) and ¥84 million, respectively.

5. Multi-employer type of pension plan

In the fiscal years ended March 31, 2021 and 2020 the amount required to be contributed to the defined-benefit corporate pension fund plan (established by the Company and Group companies) of multi-employer type of pension plan amounted to ¥236 million (U.S.$2,133 thousand) and ¥177 million, respectively. The contribution is accounted for in the same manner with a defined-contribution pension plan.

(1) Most recent funded status of the multi-employer welfare pension plan

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
	As of March 31, 2020	As of March 31, 2019	As of March 31, 2020
Amount of plan assets	¥ 13,756	¥ 13,171	$ 124,247
Actuarial liability under pension funding programs	17,526	13,929	158,292
Difference	**¥ (3,769)**	**¥ (758)**	**$ (34,045)**

(2) Premium contribution ratio for the Group's contribution to multi-employer type of pension plan

FY2020: 14.395% (From April 1, 2020 to March 31, 2021)

FY2019: 13.476% (From April 1, 2019 to March 31, 2020)

(3) Supplementary explanation

The main reasons for the difference in (1) above are the balance of prior service obligations under pension funding programs (¥7,498 million (U.S.$67,722 thousand) in the fiscal year ended March 31, 2021, ¥5,480 million in the fiscal year ended March 31, 2020), General reserve (¥3,927 million (U.S.$35,469 thousand) in the fiscal year ended March 31, 2021, ¥4,721 million in the fiscal year ended March 31, 2020) and deductions for asset valuation adjustments due to the use of actuarial valuation methods for asset valuations under pension funding (¥– million in the fiscal year ended March 31, 2021, ¥– million in the fiscal year ended March 31, 2020).

The amortization method for prior service obligations in this system is even amortization of principal and interest over 20 years. Were for some, unlikely reason, a shortage to occur for the balance brought forward, this would be dealt with through methods such as raising special premiums as necessary based on the recalculation of the financial situation.

Since the amount of the special premiums is calculated by multiplying the amount of base salary at the time of premium contribution by the premium rate prescribed in advance, the ratio in (2) above is not the same as the actual burden ratio.

XVII. Stock options, etc.

1. Stock options-related expenses were recorded in the following account

Not applicable

2. Gains on expiration of unexercised stock options

Not applicable

3. Details, number and status of stock options

(1) Details of stock options

Since the Company resolved at the 49th Annual General Meeting of Shareholders held on June 22, 2018 to introduce the share-based payment plan or Board Benefit Trust (BBT) for its directors and executive officers and abolished the share-based payment-type stock options plan, there has been no new granting of stock options.

	Stock options for 2008	Stock options for 2009	Stock options for 2010
Class and number of grantees (Note 1)	Directors of the Company: 8 Executive officers of the Company: 16	Directors of the Company: 8 Executive officers of the Company: 15	Directors of the Company: 7 Executive officers of the Company: 17
Number and type of stock options (Note 2)	Common shares: 57,800 shares	Common shares: 84,600 shares	Common shares: 61,300 shares
Grant date	October 15, 2008	October 15, 2009	October 15, 2010
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2008 – October 14, 2038 (Note 5)	October 15, 2009 – October 14, 2039 (Note 5)	October 15, 2010 – October 14, 2040 (Note 5)

	Stock options for 2011	Stock options for 2012	Stock options for 2013
Class and number of grantees (Note 1)	Directors of the Company: 7 Executive officers of the Company: 16	Directors of the Company: 8 Executive officers of the Company: 16	Directors of the Company: 8 Executive officers of the Company: 18
Number and type of stock options (Note 2)	Common shares: 54,800 shares	Common shares: 73,000 shares	Common shares: 42,000 shares
Grant date	October 14, 2011	October 16, 2012	October 15, 2013
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 14, 2011 – October 13, 2041 (Note 5)	October 16, 2012 – October 15, 2042 (Note 5)	October 15, 2013 – October 14, 2043 (Note 5)

	Stock options for 2014	Stock options for 2015	Stock options for 2016
Class and number of grantees (Note 1)	Directors of the Company: 7 Executive officers of the Company: 18	Directors of the Company: 7 Executive officers of the Company: 19	Directors of the Company: 7 Executive officers of the Company: 21
Number and type of stock options (Note 2)	Common shares: 35,500 shares	Common shares: 28,600 shares	Common shares: 34,700 shares
Grant date	October 15, 2014	October 15, 2015	October 14, 2016
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2014 – October 14, 2044 (Note 5)	October 15, 2015 – October 14, 2045 (Note 5)	October 14, 2016 – October 13, 2046 (Note 5)

	Stock options for 2017
Class and number of grantees (Note 1)	Directors of the Company: 6 Executive officers of the Company: 22
Number and type of stock options (Note 2)	Common shares: 22,200 shares
Grant date	October 16, 2017
Vesting conditions	(Note 3)
Requisite service period	(Note 4)
Exercise period	October 16, 2017 – October 15, 2047 (Note 5)

Notes: 1. Excluding outside directors and outside corporate auditors
2. Converted to number of shares
3. No vesting conditions attached
4. No provision for requisite service period
5. Notwithstanding the above, if a share acquisition rights holder loses his/her position as director, corporate auditor, or executive officer of the Company during the above term, he/she may exercise the rights within a period of five years beginning on the day that exactly one year has passed since the day immediately after the day on which the holder loses his/her position.

(2) Movement in stock options

The number of stock options that existed during the fiscal year ended March 31, 2021 is translated into the number of shares.

1) Number of stock options

	Stock options for 2008	Stock options for 2009	Stock options for 2010	Stock options for 2011	Stock options for 2012
Pre-vesting (shares)					
Previous fiscal year-end	—	—	—	—	—
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested	—	—	—	—	—
Balance unvested	—	—	—	—	—
Post-vesting (shares)					
Previous fiscal year-end	1,300	10,400	16,300	22,200	33,400
Vested	—	—	—	—	—
Exercised	—	1,800	1,400	3,600	3,200
Expired	—	—	—	—	—
Balance unexercised	1,300	8,600	14,900	18,600	30,200

	Stock options for 2013	Stock options for 2014	Stock options for 2015	Stock options for 2016	Stock options for 2017
Pre-vesting (shares)					
Previous fiscal year-end	—	—	—	—	—
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested	—	—	—	—	—
Balance unvested	—	—	—	—	—
Post-vesting (shares)					
Previous fiscal year-end	21,000	27,400	23,900	33,300	22,200
Vested	—	—	—	—	—
Exercised	1,600	3,300	1,900	1,400	900
Expired	—	—	—	—	—
Balance unexercised	19,400	24,100	22,000	31,900	21,300

2) Unit price

	Stock options for 2008	Stock options for 2009	Stock options for 2010	Stock options for 2011	Stock options for 2012
	Yen	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price per share at exercise	—	6,435	6,435	6,268	6,089
Fair value at grant date	1,610	1,668	2,218	2,449	1,943

	Stock options for 2013	Stock options for 2014	Stock options for 2015	Stock options for 2016	Stock options for 2017
	Yen	Yen	Yen	Yen	Yen
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price per share at exercise	6,089	6,290	6,321	6,435	6,177
Fair value at grant date	3,556	3,584	4,653	4,606	6,840

4. Estimation method for fair value of stock options

Not applicable

5. Estimation method for the number of vested stock options

The Company generally uses the actual number of expired options to estimate the number of vested options, because it is difficult to reasonably estimate how many options will expire in the future.

XVIII. Tax effect accounting

1. The respective breakdowns of deferred tax assets and deferred tax liabilities by major item

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Deferred tax assets			
Excess of allowance for doubtful accounts	¥ 1,421	¥ 1,531	$ 12,839
Guarantee deposits received	1,050	934	9,486
Loss on valuation of investment securities, etc.	690	665	6,238
Provision for bonuses	675	664	6,102
Enterprise taxes payable	626	345	5,662
Accrued expenses	593	806	5,362
Non-deductible consumption tax	570	133	5,155
Asset retirement obligations	508	546	4,588
Retirement benefit liability	478	715	4,320
Prepaid expenses	393	385	3,556
Revenue recognized for tax purposes	348	463	3,150
Excess of depreciation	336	439	3,039
Share-based payment expenses	215	233	1,947
Gain on transfer of receivables	208	245	1,887
Tax loss carried forward (Note 2)	—	46	—
Other	1,071	866	9,680
Subtotal deferred tax assets	**9,191**	**9,025**	**83,012**
Valuation allowance related to tax loss carried forward (Note 2)	—	(0)	—
Valuation allowance related to total deductible temporary differences	(90)	(122)	(815)
Subtotal valuation allowance (Note 1)	**(90)**	**(123)**	**(815)**
Total deferred tax assets	**9,100**	**8,901**	**82,197**
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥ (19,783)	¥ (14,291)	$ (178,683)
Depreciation	(1,791)	(1,546)	(16,184)
Foreign subsidiary's unitary tax	(1,467)	(1,269)	(13,256)
Intangible assets	(1,414)	(1,556)	(12,778)
Gain on valuation of investment securities	(1,291)	(1,288)	(11,664)
Gain on transfer of receivables	(595)	(897)	(5,379)
Other	(908)	(995)	(8,202)
Total deferred tax liabilities	**(27,253)**	**(21,845)**	**(246,146)**
Net deferred tax liabilities	**¥ (18,152)**	**¥ (12,943)**	**$ (163,948)**

Notes: 1. The amount of valuation allowance decreased by ¥33 million (U.S.$299 thousand) from the previous fiscal year. This decrease was mainly due to a decrease of ¥19 million (U.S.$178 thousand) in valuation allowance for allowance for doubtful accounts, and a decrease of ¥13 million (U.S.$121 thousand) in valuation allowance for others at a consolidated subsidiary.
2. Tax loss carried forward and respective deferred tax assets will expire as follows:

As of March 31, 2021
Not applicable

As of March 31, 2020

	Millions of yen						
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward(*1)	¥ 46	¥ —	¥ —	¥ —	¥ —	¥ —	**¥ 46**
Valuation allowance	(0)	—	—	—	—	—	**(0)**
Deferred tax assets	46	—	—	—	—	—	**(*2) 46**

*1. ax loss carried forward is measured using the statutory effective tax rate.
*2. With respect to the tax loss carried forward of ¥46 million (amount measured using the statutory effective tax rate), the Company records deferred tax assets of ¥46 million. The deferred tax assets of ¥46 million represent deferred tax assets carried forward associated with the tax loss carried forward at a consolidated subsidiary. The Company recognizes no valuation allowance for this tax loss carried forward since it is recoverable due to sufficient taxable income expected for the next fiscal year.

2. The respective breakdowns of major items that constituted the material difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting

As of March 31, 2021
The note is omitted, because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.
As of March 31, 2020
The note is omitted, because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.

XIX. Business combinations, etc.

Business combinations through acquisition

1. Overview of the business combinations
(1) Names of acquired company and its business descriptions
1) Name of acquired company:
YAMATO LEASE CO., LTD.
Business description:
Leasing business, primarily focused on trucks, vehicle distribution support business, others (business succession support business, etc.)

(2) Reasons for the business combinations
The purpose of collaborating on businesses with YAMATO LEASE CO., LTD. (hereinafter "YL") is to combine the business bases and expertise, etc., of the Fuyo Lease Group and the Yamato Group, enabling enhancement of YL's competitive advantage and expanding its business domains, with a view to further expanding its business.

(3) Date of the business combinations
April 1, 2020

(4) Legal form of the business combinations
Acquisition of shares by cash

(5) Name of the companies after the business combination
No change

(6) Ratio of voting rights acquired

Ratio of voting rights held before the business combination date:	— %
Ratio of voting rights acquired on the business combination date:	60.00 %
Ratio of voting rights held after the acquisition:	60.00 %

(7) Primary basis for the determination of the acquirer
It is because the Company acquired 60.00% of the issued shares of YL.

2. Period for which operating results of the acquired company was included in the consolidated financial statements
From April 1, 2020 to March 31, 2021

3.Acquisition cost of the acquired company and breakdown by type of consideration

Acquisition price	Cash and deposits	¥3,300 million	U.S.$29,805 thousand
Acquisition cost		¥3,300 million	U.S.$29,805 thousand

4. Details and amounts of main acquisition-related expenses
Fees to advisors, etc.: ¥284 million (U.S.$2,566 thousand)

5. Amount, cause, amortization method and period of goodwill recognized
(1) Amount of goodwill recognized
¥295 million (U.S.$2,667 thousand)

(2) Cause of goodwill
Goodwill was recognized due to the future excess earning power expected based on business expansion going forward.

(3) Amortization method and period
Straight-line method over a period of 6 years

6. Amount of assets received and liabilities assumed on the date of the business combination and their major components

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 93,168	$ 841,475
Non-current assets	14,054	126,935
Total assets	107,222	968,410
Current liabilities	102,087	922,037
Non-current liabilities	7	64
Total liabilities	**¥ 102,095**	**$ 922,101**

XX. Asset retirement obligations

This information has been omitted because of immateriality.

XXI. Real estate leasing business

The Company and some of its consolidated subsidiaries own assets such as commercial facilities for lease and office buildings (including land) for lease in Tokyo and other regions. Net lease income from these assets amounted to ¥6,256 million (U.S.$56,507 thousand) and ¥5,814 million (lease income and lease cost were generally recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2021 and 2020, respectively.

The book value on the consolidated balance sheets, net changes, and fair value of these assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Book value			
Beginning of year	¥ 246,844	¥ 231,132	$ 2,229,452
Net change	97,998	15,711	885,107
End of year	344,843	246,844	3,114,559
Fair value at end of year	¥ 357,015	¥ 262,319	$ 3,224,492

Notes: 1. The book value on the consolidated balance sheet is the amount after deduction of accumulated depreciation from acquisition cost.
2. The increase of book value is mainly attributable to the purchase of real estate of ¥127,180 million (U.S.$1,148,668 thousand) and ¥133,872 million, in the fiscal years ended March 31, 2021 and 2020, respectively.
3. The fair value of properties is mainly estimated based on income approach in accordance with Real Estate Appraisal standards as of March 31, 2021. For other properties, the Company reasonably estimated the fair value based on income approach or market approach while the Company used their book value as the fair value for certain properties.

XXII. Segment information, etc.

Segment information

1. Description of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available. These segments are subject to periodic examinations undertaken to enable the Board of Directors of the Group to make decisions on allocating resources and to evaluate performance.

The Group is primarily engaged in leasing and installment sales, and its operations are divided into three reportable segments based on the major types of transactions handled, namely the Lease and Installment Sales segment, the Financing segment, and the Other segment.

The Lease and Installment Sales segment conducts businesses including leasing of IT and office equipment, industrial machinery, and other assets (includes the sale, etc. of off-lease assets upon lease expiration or termination) and leasing of real estate, and sells commercial/service equipment, production facilities, medical devices, and other assets on an installment basis. The Financing segment is mainly engaged in operating loans, investment in marketable securities for financial income, forming *tokumei-kumiai* (silent partnership) arrangements, etc. The Other segment primarily engages in environmental and energy-related businesses, fee handling, BPO and mobility business (new business fields), etc.

2. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reportable segment

Measurements used in accounting for reportable segment are the same as those disclosed in "Basis of presentation." Profit of reportable segment is based on operating profit. Transactions with other segments are based on prevailing market prices.

3. Disclosure of sales, profit (loss), asset, liability, and other items for each reportable segment

FY2020 (From April 1, 2020 to March 31, 2021)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 541,718	¥ 20,588	¥ 177,956	¥ 740,263
Transactions with other segments	1,282	3,454	1,995	6,732
Net sales	**543,000**	**24,043**	**179,951**	**746,996**
Segment profit	**¥ 33,303**	**¥ 15,303**	**¥ 8,786**	**¥ 57,392**
Segment assets	**¥ 1,849,658**	**¥ 932,383**	**¥ 120,917**	**¥ 2,902,959**
Other items				
Depreciation	41,128	—	3,114	44,243
Amortization of goodwill	49	324	952	1,326
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	**¥ 144,656**	**¥ —**	**¥ 317**	**¥ 144,974**

	Thousands of U.S. dollars			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	$ 4,892,685	$ 185,954	$ 1,607,270	$ 6,685,908
Transactions with other segments	11,586	31,202	18,019	60,806
Net sales	**4,904,270**	**217,156**	**1,625,289**	**6,746,715**
Segment profit	**$ 300,786**	**$ 138,216**	**$ 79,356**	**$ 518,358**
Segment assets	**$ 16,705,733**	**$ 8,421,093**	**$ 1,092,104**	**$ 26,218,929**
Other items				
Depreciation	371,465	—	28,133	399,598
Amortization of goodwill	445	2,930	8,605	11,979
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	**$ 1,306,511**	**$ —**	**$ 2,871**	**$ 1,309,382**

FY2019 (From April 1, 2019 to March 31, 2020)

	Millions of yen			
	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	¥ 528,853	¥ 15,979	¥ 167,497	¥ 712,330
Transactions with other segments	1,026	3,708	1,078	5,813
Net sales	**529,880**	**19,688**	**168,575**	**718,143**
Segment profit	**¥ 33,134**	**¥ 11,330**	**¥ 9,254**	**¥ 53,719**
Segment assets	**¥ 1,704,786**	**¥ 804,101**	**¥ 128,744**	**¥ 2,637,632**
Other items				
Depreciation	33,694	—	2,397	36,091
Amortization of goodwill	—	324	807	1,132
Investments in entities accounted for using equity method	—	—	—	—
Increase in property, plant and equipment and intangible assets	**¥ 178,524**	**¥ —**	**¥ 12,424**	**¥ 190,948**

4. Description of nature of differences between amounts of reportable segments total and consolidated financial statements

Net sales

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Reportable segments total	¥ 746,996	¥ 718,143	$ 6,746,715
Eliminations	(6,732)	(5,813)	(60,806)
Net sales reported on the consolidated statements of income	**¥ 740,263**	**¥ 712,330**	**$ 6,685,908**

Profit

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Reportable segments total	¥ 57,392	¥ 53,719	$ 518,358
Eliminations	(3,206)	(2,486)	(28,963)
Corporate expenses (Note)	(9,630)	(9,808)	(86,981)
Operating profit reported on the consolidated statements of income	**¥ 44,555**	**¥ 41,423**	**$ 402,413**

Note: Corporate expenses are mainly selling, general and administrative expenses that are not attributable to any reportable segment.

Assets

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Reportable segments total	¥ 2,902,959	¥ 2,637,632	$ 26,218,929
Corporate assets (Note)	76,325	114,966	689,354
Total assets reported on the consolidated balance sheets	**¥ 2,979,285**	**¥ 2,752,598**	**$ 26,908,283**

Note: Corporate assets include surplus funds (cash and deposits, etc.), long-term investment funds (investment securities) and assets related to administrative divisions that are not attributable to any reportable segment.

Depreciation

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Reportable segments total	¥ 44,243	¥ 36,091	$ 399,598
Adjustment	1,907	1,768	17,227
Amounts reported on the consolidated financial statements	**¥ 46,150**	**¥ 37,859**	**$ 416,825**

Note: Depreciation adjustments mainly represent depreciation on own-used assets.

Amortization of goodwill

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Reportable segments total	¥ 1,326	¥ 1,132	$ 11,979
Adjustment	—	—	—
Amounts reported on the consolidated financial statements	**¥ 1,326**	**¥ 1,132**	**$ 11,979**

Investments in entities accounted for using equity method

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Reportable segments total	¥ —	¥ —	$ —
Adjustment	28,942	23,657	261,405
Amounts reported on the consolidated financial statements	**¥ 28,942**	**¥ 23,657**	**$ 261,405**

Note: Adjustments for investments in entities accounted for using equity method mainly represent the amount of funds invested in entities accounted for using equity method.

Increase in property, plant and equipment and intangible assets

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Reportable segments total	¥ 144,974	¥ 190,948	$ 1,309,382
Adjustment	4,177	1,690	37,729
Amounts reported on the consolidated financial statements	**¥ 149,152**	**¥ 192,638**	**$ 1,347,111**

Note: Adjustments on increase in property, plant and equipment and intangible assets mainly represent capital investment in own-used assets.

Information associated with reportable segments

1. Information for each product or service

FY2020 (From April 1, 2020 to March 31, 2021)

This information is omitted as it is identical to that in segment information.

FY2019 (From April 1, 2019 to March 31, 2020)

This information is omitted as it is identical to that in segment information.

2. Information for each region

FY2020 (From April 1, 2020 to March 31, 2021)

(1) Revenues from external customers

It is omitted since revenues from external customers in Japan exceeds 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Millions of yen

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
¥ 546,417	¥ 8,656	¥ 116,509	¥ 2	¥ 5,792	**¥ 677,379**

Thousands of U.S. dollars

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
$ 4,935,129	$ 78,188	$ 1,052,289	$ 25	$ 52,316	**$ 6,117,947**

Notes: 1. The figures shown are presented according to the respective countries and regions of the Company and its consolidated subsidiaries.
2. The following geographic categories primarily include the respective countries and regions shown below.
North America and Latin America: United States
Europe: United Kingdom, Ireland
Asia: China, Taiwan, Singapore, Malaysia

FY2019 (From April 1, 2019 to March 31, 2020)

(1) Revenues from external customers

It is omitted since revenues from external customers in Japan exceeds 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

Millions of yen

Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
¥ 407,674	¥ 9,384	¥ 130,213	¥ 3	¥ 5,835	**¥ 553,111**

Notes: 1. The figures shown are presented according to the respective countries and regions of the Company and its consolidated subsidiaries.
2. The following geographic categories primarily include the respective countries and regions shown below.
North America and Latin America: United States
Europe: United Kingdom, Ireland
Asia: China, Singapore, Malaysia

3. Information for each of main customers

FY2020 (From April 1, 2020 to March 31, 2021)

It is omitted since among the revenues from external customers, there are no specific customers accounting for 10% or more of net sales on the consolidated statement of income.

FY2019 (From April 1, 2019 to March 31, 2020)

It is omitted since among the revenues from external customers, there are no specific customers accounting for 10% or more of net sales on the consolidated statement of income.

Disclosure of impairment losses on non-current assets for each reportable segment

FY2020 (From April 1, 2020 to March 31, 2021)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ —	¥ —	¥ 1	¥ —	¥ 1

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	$ —	$ —	$ 10	$ —	$ 10

Note: The amount in "Corporate/Elimination" is the impairment losses relating to corporate assets that are not attributable to any particular segment.

FY2019 (From April 1, 2019 to March 31, 2020)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ —	¥ —	¥ 1	¥ 1,281	¥ 1,283

Amortization and unamortized balance of goodwill for each reportable segment

FY2020 (From April 1, 2020 to March 31, 2021)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ 246	¥ 5,109	¥ 15,362	¥ —	¥ 20,718

Thousands of U.S. dollars

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	$ 2,223	$ 46,146	$ 138,752	$ —	$ 187,122

Note: The information about amortization of goodwill is omitted as it is identical to that in segment information.

FY2019 (From April 1, 2019 to March 31, 2020)

Millions of yen

	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ —	¥ 5,433	¥ 16,315	¥ —	¥ 21,749

Note: The information about amortization of goodwill is omitted as it is identical to that in segment information.

Information about gain on bargain purchase for each reportable segment

FY2020 (From April 1, 2020 to March 31, 2021)
Not applicable
FY2019 (From April 1, 2019 to March 31, 2020)
Not applicable

XXIII. Related parties

1. Related party transactions

(1) Transactions of the company reporting the consolidated financial statements with related parties

Parent company of the company reporting the consolidated financial statements and major shareholders (limited to companies, etc.), etc.

FY2020 (From April 1, 2020 to March 31, 2021)

Type	Name	Location	Capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718	Real estate leasing business	Direct (Holdings) 6.0 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received Purchase of operating assets Sale of operating assets	¥4,752 ¥23,069 ¥4,644	Lease receivables and investments in leases	¥62,888

Type	Name	Location	Capital (Thousands of U.S. dollars)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Thousands of U.S. dollars)	Account title	Year-end balance (Thousands of U.S. dollars)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	$566,456	Real estate leasing business	Direct (Holdings) 6.0 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received Purchase of operating assets Sale of operating assets	$42,926 $208,362 $41,944	Lease receivables and investments in leases	$567,995

Notes: 1. The above amounts do not include consumption taxes.
2. Lease transactions are concluded upon submission of estimates based on actual market conditions, and are subject to the same terms and conditions as general transactions.
3. The purchase and sale of operating assets is determined based on the actual market price. The transaction amount records the total transaction amount that occurred in the fiscal year ended March 31, 2021.

FY2019 (From April 1, 2019 to March 31, 2020)

Type	Name	Location	Capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relations with related parties	Transaction details	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718	Real estate leasing business	Direct (Holdings) 6.0 Direct (Held) 14.0	Lease transactions Purchase of operating assets	Lease payments received Purchase of operating assets	¥4,818 ¥29,032	Lease receivables and investments in leases	¥60,322

Notes: 1. The above amounts do not include consumption taxes.
2. Lease transactions are concluded upon submission of estimates based on actual market conditions, and are subject to the same terms and conditions as general transactions.
3. The purchase of operating assets is determined based on the actual market price. The transaction amount records the total transaction amount that occurred in the fiscal year ended March 31, 2020.

(2) Transactions of consolidated subsidiaries of the company reporting the consolidated financial statements with related parties

Parent company of the company reporting the consolidated financial statements and major shareholders (limited to companies, etc.), etc.

FY2020 (From April 1, 2020 to March 31, 2021)
Not applicable
FY2019 (From April 1, 2019 to March 31, 2020)
Not applicable

2. Notes to parent company and significant associates

(1) Parent company's information

There is no parent company.

(2) Summary financial information for significant associates

There are no significant associates.

XXIV. Information on special purpose entities

1. Overview of special purpose entities subject to disclosure and of transactions using special purpose entities subject to disclosure

For the diversification of funding sources and stable financing, the Company promotes securitization of lease receivables, etc. The Company use stock companies as special purpose entities.

When performing the securitization, the Company transfers the lease receivables, etc. to special purpose entities and receives the funds as proceeds from the transfer of the assets to the special purpose entity through a loan, etc.

As a result of the securitization, the Company has transactions outstanding with the following special purpose entities. The Company owns shares, etc. with voting rights of the special purpose entities and the employees of the Company concurrently are assigned as corporate officer positions by the entities.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Number of special purpose entities	Two companies	Two companies	Two companies
Total value of assets as of the latest balance sheet (without elimination of inter-company transactions)	¥ 4,219	¥ 4,540	$ 38,106
Total value of liabilities as of the latest balance sheet (without elimination of inter-company transactions)	**4,214**	**4,535**	**38,063**

2. Amount of transactions, etc. with special purpose entities subject to disclosure

FY2020 (From April 1, 2020 to March 31, 2021)

	Amount of major transactions or the balance as of the end of the fiscal year (Millions of yen)	Major gain or loss	
		Item	Amount (Millions of yen)
Transferred assets (Note 1)		Gain on transfer (Note 2)	¥ 4
Lease receivables and investments in leases	¥ 289		
Installment receivables	—		

	Amount of major transactions or the balance as of the end of the fiscal year (Thousands of U.S. dollars)	Major gain or loss	
		Item	Amount (Thousands of U.S. dollars)
Transferred assets (Note 1)		Gain on transfer (Note 2)	$ 40
Lease receivables and investments in leases	$ 2,611		
Installment receivables	—		

Notes: 1. The amount of transactions related to transferred assets is the book value as of the time of transfer.
2. Gain on transfer related to transferred assets is presented in net sales.

FY2019 (From April 1, 2019 to March 31, 2020)

	Amount of major transactions or the balance as of the end of the fiscal year (Millions of yen)	Major gain or loss	
		Item	Amount (Millions of yen)
Transferred assets (Note 1)		Gain on transfer (Note 2)	¥ 109
Lease receivables and investments in leases	¥ 2,531		
Installment receivables	733		

Notes: 1. The amount of transactions related to transferred assets is the book value as of the time of transfer.
2. Gain on transfer related to transferred assets is presented in net sales.

XXV. Per share information

	Yen		U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Net assets per share	¥ 10,153.22	¥ 9,204.20	$ 91.70
Basic earnings per share	986.18	871.95	8.91
Diluted earnings per share	979.39	865.56	8.85

Notes: 1. Treasury shares are deducted when calculating the number of common shares as of the fiscal year-end, used in the computation of the net assets per share and includes the Company's shares owned by the Board Benefit Trust (BBT). The number of treasury shares owned by the Board Benefit Trust (BBT) as of the fiscal year-end is 96,700 shares for the fiscal year ended March 31, 2021 and 102,500 shares for the fiscal year ended March 31, 2020.
2. Treasury shares are deducted when calculating the average number of shares during the period, used in the computation of the basic earnings per share and includes the Company's shares owned by the Board Benefit Trust (BBT). The average number of treasury shares owned by the Board Benefit Trust (BBT) during the period is 97,065 shares for the fiscal year ended March 31, 2021 and 102,618 shares for the fiscal year ended March 31, 2020.
3. Calculation basis of net assets per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Total net assets	¥ 344,796	¥ 311,819	$ 3,114,134
Amounts excluded from total net assets	40,231	35,950	363,363
Of which, share acquisition rights	704	764	6,359
Of which, non-controlling interests	39,527	35,186	357,004
Net assets attributable to common shares	304,565	275,869	2,750,772
Number of common shares as of the fiscal year-end used in the calculation of net assets per share (thousands shares)	29,996	29,972	29,996

4. Calculation basis of basic earnings per share and diluted earnings per share is as follows

	Millions of yen		Thousands of U.S. dollars
	FY2020 (April 1, 2020 - March 31, 2021)	FY2019 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2020 - March 31, 2021)
Basic earnings per share			
Profit attributable to owners of parent	¥ 29,566	¥ 26,187	$ 267,039
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	29,566	26,187	267,039
Average number of shares during the period (thousands shares)	29,981	30,033	29,981
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ —	¥ —	$ —
Increase in the number of common shares (thousands shares)	207	221	207
Residual securities that are not dilutive and not included in the calculation of diluted earnings per share	—	—	—

XXVI. Subsequent events

Business combination through acquisition of shares

The Company resolved at a Board of Directors meeting held on March 26, 2021 to acquire additional shares of Nihon Credit Lease Co., Ltd. (hereinafter referred to as "Nihon Credit Lease"), an equity-method associate of the Company, to make it a wholly owned subsidiary. The Company concluded a share transfer agreement with NICHIIGAKKAN CO., LTD. and acquired the shares on April 1, 2021. Following the acquisition, Nihon Credit Lease became a consolidated subsidiary of the Company.

1. Overview of the business combination

(1) Name of acquired company and its business description

Name of acquired company:
Nihon Credit Lease Co., Ltd.

Business description:
Leasing and installment sales of nursing care and welfare equipment, medical equipment, and information equipment

(2) Reasons for the business combination

To promote the expansion of the business domain of the Fuyo Lease Group and further strengthen the efforts for the medical and welfare business, which is one of the strategic fields.

(3) Date of the business combination

April 1, 2021

(4) Legal form of the business combination

Acquisition of shares by cash

(5) Name of the company after the combination

No change

(6) Ratio of voting rights acquired

Ratio of voting rights held before the business combination date:	30.00 %
Ratio of voting rights acquired on the business combination date:	70.00 %
Ratio of voting rights held after the acquisition:	100.00 %

(7) Primary basis for the determination of the acquirer

It is because the Company additionally acquired 70.00% of the issued shares of Nihon Credit Lease.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Acquisition price	Cash and deposits	¥977 million	U.S.$8,828 thousand
Acquisition cost		¥977 million	U.S.$8,828 thousand

There is a possibility that certain adjustments will be made to the acquisition price.

3. Details and amounts of main acquisition-related expenses

Fees to advisors, etc.: ¥19 million (U.S.$180 thousand)

4. Amount, cause, amortization method and period of goodwill recognized

Not yet determined.

5. Amounts of assets received and liabilities assumed on the date of the business combination and their major components

Not yet determined.

Corporate bond issuance

The Company issued straight bonds as follows:

1. Fuyo General Lease Co., Ltd., No. 28 unsecured straight bond

(1) Issue name: Fuyo General Lease Co., Ltd., No. 28 unsecured straight bond
(2) Issuance amount: ¥20,000 million (U.S.$180,636 thousand)
(3) Issuance date: April 21, 2021
(4) Issue price: ¥100 per ¥100 of face value
(5) Coupon rate: 0.140% per year
(6) Redemption date: April 21, 2026
(7) Use of proceeds: To fund capital investments

2. Fuyo General Lease Co., Ltd., No. 29 unsecured straight bond

(1) Issue name: Fuyo General Lease Co., Ltd., No. 29 unsecured straight bond
(2) Issuance amount: ¥10,000 million (U.S.$90,318 thousand)

(3) Issuance date: June 18, 2021
(4) Issue price: ¥100 per ¥100 of face value
(5) Coupon rate: 0.260% per year
(6) Redemption date: June 16, 2028
(7) Use of proceeds: To fund capital investments

3. Fuyo General Lease Co., Ltd., No. 30 unsecured straight bond
(1) Issue name: Fuyo General Lease Co., Ltd., No. 30 unsecured straight bond
(2) Issuance amount: ¥10,000 million (U.S.$90,318 thousand)
(3) Issuance date: June 18, 2021
(4) Issue price: ¥100 per ¥100 of face value
(5) Coupon rate: 0.360% per year
(6) Redemption date: June 18, 2031
(7) Use of proceeds: To fund capital investments

Report of Independent Auditors

Independent Auditor's Report

The Board of Directors
Fuyo General Lease Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Report of Independent Auditors

Estimate of residual value of real estate under operating lease transactions	
Description of Key Audit Matter	Auditor's Response
The Company is engaged in leasing, installment sales, commercial loan origination and other financial services. The Company recorded assets for lease of ¥632,299 million in property, plant and equipment, at cost less accumulated depreciation in the consolidated financial statements as at March 31, 2021. Real estate lease assets with a carrying value of ¥344,843 million were recognized as described in Note 21, "Real estate leasing business," to the consolidated financial statements. As described in Note 1, "Basis presentation 4. Summary of significant accounting policies (2) Depreciation and Amortization," assets leased under operating lease transactions are depreciated to their residual value using the straight-line method over the lease term and the depreciation cost were included in the cost of sales. The residual value at the end of the lease term is estimated at the inception of the lease and is revised, as deemed necessary, during the lease term. If the leased assets are expected to be disposed of at a loss, the corresponding amount is recorded under cost of sales. As described in Note 2, "Significant accounting estimates," the Company estimates the residual value using future cash flows and discount rates, and the significant assumptions for estimating the residual value is future cash flows. The future cash flows of real estate lease transactions are estimated based on terms of contracts, rents, occupancy rates, etc. However, these transactions are highly specific and the estimation of the residual value requires complex judgment, and expert knowledge and experience. In addition, since the value of real estate lease transactions is significant and operating lease transactions are not full payout, an inaccurate estimation of the residual value can have a considerable impact on the profit or loss calculation. Based on the above factors, we have determined estimation of the residual value of real estate under operating lease transactions as a key audit matter.	We performed the following audit procedures, among others, to evaluate the key assumptions such as future cash flows and other inputs required to estimate the residual value by selecting a sample of transactions considering audit materiality, remaining years of the lease term and the type of lease payments: ・ Audit procedures performed for lease contracts that commenced in the current year. In order to evaluate the inputs such as the rents and the occupancy rate of the property, which form the basis for calculating future cash flows used by the Company in estimating the residual value, we inspected the real estate valuation reports by engaging the real estate valuation experts from our network firm. We recalculated the residual value to evaluate the Company's estimation process. ・ Audit procedures performed for lease contracts that commenced in previous years. In order to evaluate the Company's estimate of the residual value, we compared actual rents and occupancy rates against the original estimates to analyze the cause of difference. ・ Audit procedures performed for lease contracts terminated during the current year. In order to evaluate the effectiveness of the Company's estimation process, we checked actual sale prices with the sale agreements and compared them with the estimated residual values.

Determination of indicators of impairment of goodwill	
Description of Key Audit Matter	Auditor's Response
The Company makes business acquisitions with the aim of further expanding and growing its business and has recorded goodwill of ¥20,718 million in the consolidated financial statements as at March 31, 2021, which consists of goodwill related to the acquisition of Accretive Co., Ltd., G.I Holdings Inc., LN Holdings, Co., Ltd. and Yamato Lease Co., Ltd. As described in Note 1, "Basis presentation 4. Summary of significant accounting policies (9) Amortization method and period of goodwill," the Company estimates the useful life of goodwill and amortizes it on a straight-line basis over such period. However, if there are significant changes with an adverse effect on the entity, including the impact of the spread of coronavirus infection, and the recoverable amount of goodwill is assumed to decrease, it is considered as an indicator of impairment of goodwill. If the total amount of expected future cash flows is less than the carrying amount of the CGU, an impairment loss on goodwill must be recognized. The Company determines whether there are any indicators of impairment, for example, by comparing the initial business plan at the time of acquisition of each subsidiary with the actual results and analyzing factors related to the differences between them and considers the impact on future performance based on these factors. This involves significant management judgment on the current and future business environment. Also, with the increase in goodwill due to multiple acquisitions in the past, the significance of management's judgment related to the indicators of impairment of goodwill has also increased. Based on the above factors, we have identified the determination of indicators of impairment of goodwill as a key audit matter.	We performed the following audit procedures, among others, to evaluate the Company's determination of indicators of impairment of goodwill. ・ In order to assess the possibility of significant deterioration in operating results of the CGU to which the goodwill belongs, we performed a comparative analysis between the initial business plan at the time of acquisition of each subsidiary with the actual financial results at the end of the fiscal year and a variance analysis on the differences identified between the business plan and actual business results. ・ The Company assessed the possibility of significant deterioration in operating results of the CGU to which the goodwill belongs considering the impact of the spread of the coronavirus infection on economic activities. In order to evaluate Company's assessments, we carried out inquiries of the department in charge about the basis for estimates of revenue growth rates, etc., of each subsidiary and performed trend analysis and compared with external data such as growth rates of the industry to which each subsidiary belongs. ・ In order to evaluate the Company's estimation of any change in business activities, which significantly reduces the recoverable amount of goodwill that has not occurred or is not expected to occur, we carried out inquiries with the management, inspected related materials such as the consistency between the initial business plan of each subsidiary, the business policy of the Company for the current and following fiscal years, and the Company's Medium-Term business plan.

Report of Independent Auditors

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2021

/s/ Hirokazu Tanaka
Designated Engagement Partner
Certified Public Accountant

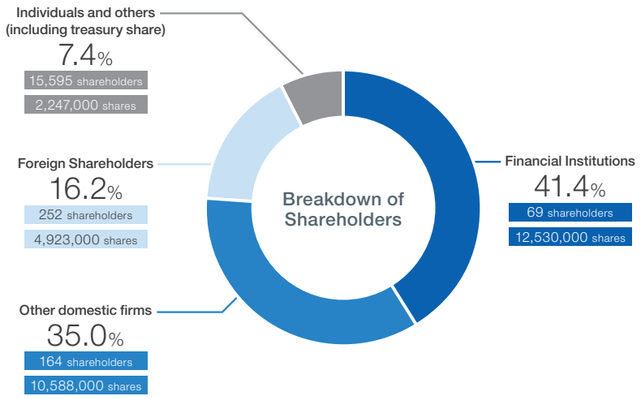
/s/ Toru Nakagiri
Designated Engagement Partner
Certified Public Accountant

Stock Information

As of March 31, 2021

Stock Overview

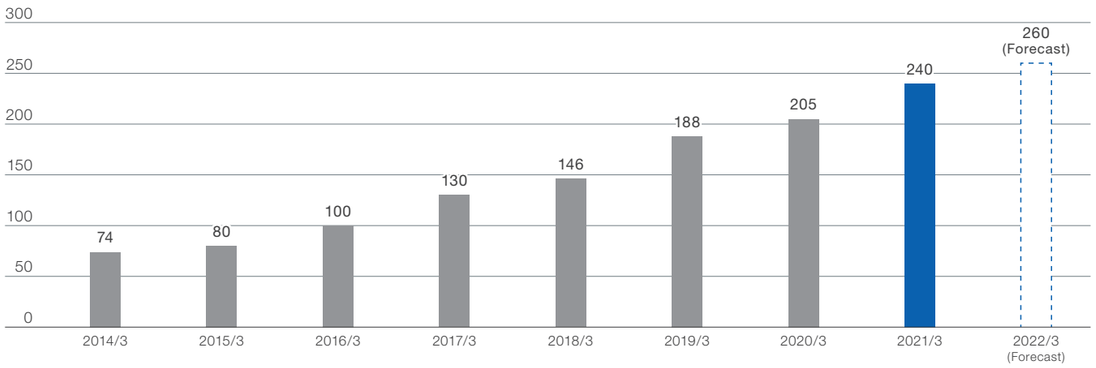
Total number of authorized share	100,000,000 shares
Number of shares outstanding	30,288,000 shares
Share unit number	100 shares
Number of shareholders	16,080



Major Shareholders (Top 10)

Shareholders	Number of shares held (in thousands)	Shareholding ratio (%)
Hulic Co., Ltd.	4,218,000	14.0%
Meiji Yasuda Life Insurance Company	2,690,000	8.9%
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account); Custody Bank of Japan, Ltd. as a Trustee of Retrust	1,512,000	5.0%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,485,000	4.9%
Custody Bank of Japan, Ltd. (Trust Account)	1,100,000	3.7%
Sompo Japan Insurance Inc.	1,002,000	3.3%
Azbil Corporation	1,000,000	3.3%
Mizuho Bank, Ltd.	907,000	3.0%
BBH FOR FIDELITY PURITAN TR : FIDELITY SR INTRINSIC OPPORTUNITIES FUND	600,000	2.0%
NICHIREI CORPORATION	416,000	1.4%

Annual dividend per share (Yen)



Participation in Initiatives

UNGC: United Nations Global Compact

The United Nations Global Compact (UNGC) is a voluntary initiative in which companies and organizations act as good members of society and participate in the creation of a global framework for sustainable growth by demonstrating responsible and creative leadership. We became a signatory in January 2018. We support the 10 principles of the UNGC in four categories (human rights, labor, environment, and anti-corruption) and work toward making them happen.

TCFD: Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD), which was set up by the Financial Stability Board (FSB), an international organization of major countries' central banks and financial regulators, presents a framework for disclosures relating to climate change. In May 2019, Fuyo Lease expressed its support for the recommendations set out in the final report of the TCFD and is preparing to make the required disclosures.

RE100

Renewable Electricity 100

RE100 is a global initiative run by the Climate Group, an international NGO in partnership with CDP. Member companies commit to, and publish, a target of 100% renewable energy use in their businesses by 2050. Fuyo Lease became a member in September 2018, announced targets of 50% renewable energy use by 2024 and 100% by 2030, and is taking action to make them happen.

JCLP: Japan Climate Leaders' Partnership

In February 2018, we became a supporting member of JCLP, a coalition of companies working toward a sustainable, zero-carbon society, and an executive member in December 2018. As well as engaging in our own zero-carbon initiatives, we are involved in a broad range of activities that address climate change, such as developing and providing solutions that will help the transition to a zero-carbon society, collaborating with global networks, and making policy recommendations.

EMF: Ellen MacArthur Foundation

The Ellen MacArthur Foundation (EMF) is an international initiative whose purpose is to accelerate the transition to the circular economy. We became a member of the foundation in November 2020 to acquire knowledge of the circular economy and collaborate with other companies and research organizations.

Financial Behavior Principles for the Formation of a Sustainable Society

Principles for Financial Action for the 21st Century

The Principles for Financial Action for the 21st Century were formulated as the policy recommendation for financial institutions seeking to fulfill their roles and responsibilities in forming a sustainable society. Fuyo Lease signed the principles in June 2016.

Third-Party Evaluation

Inclusion in ESG-Related Stock Indices

We are strengthening our environment, social, and governance (ESG) initiatives as well as progressing CSV activities to solve social problems. We have been evaluated by the following third-party organizations that mainly evaluate companies based on non-financial information.

FTSE4Good

FTSE Blossom Japan

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

S&P/JPX Carbon Efficient Index

2021 Sompo Sustainability Index

* The inclusion of Fuyo General Lease in any MSCI Index, and the use of MSCI logos, trademarks, service marks or Index names herein, do not constitute a sponsorship, endorsement or promotion of Fuyo General Lease by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

Evaluation of Our Initiatives

In fiscal 2019, we received the Gold Award (Minister of the Environment Award) in the Bonds category of the ESG Finance Awards. Recipients are recognized by the Ministry of the Environment as financial institutions that actively engage in ESG finance.

The Fuyo Lease Group Integrated Report 2020 received the Excellence Award in the Environmental Reporting category of the 24th Environmental Communication Awards hosted by the Ministry of the Environment and Global Environmental Forum.

Fuyo Lease received Platinum Kurumin certification in fiscal 2017, which is awarded to companies with Kurumin certification that have executed initiatives at a higher standard.

FUYO LEASE

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