

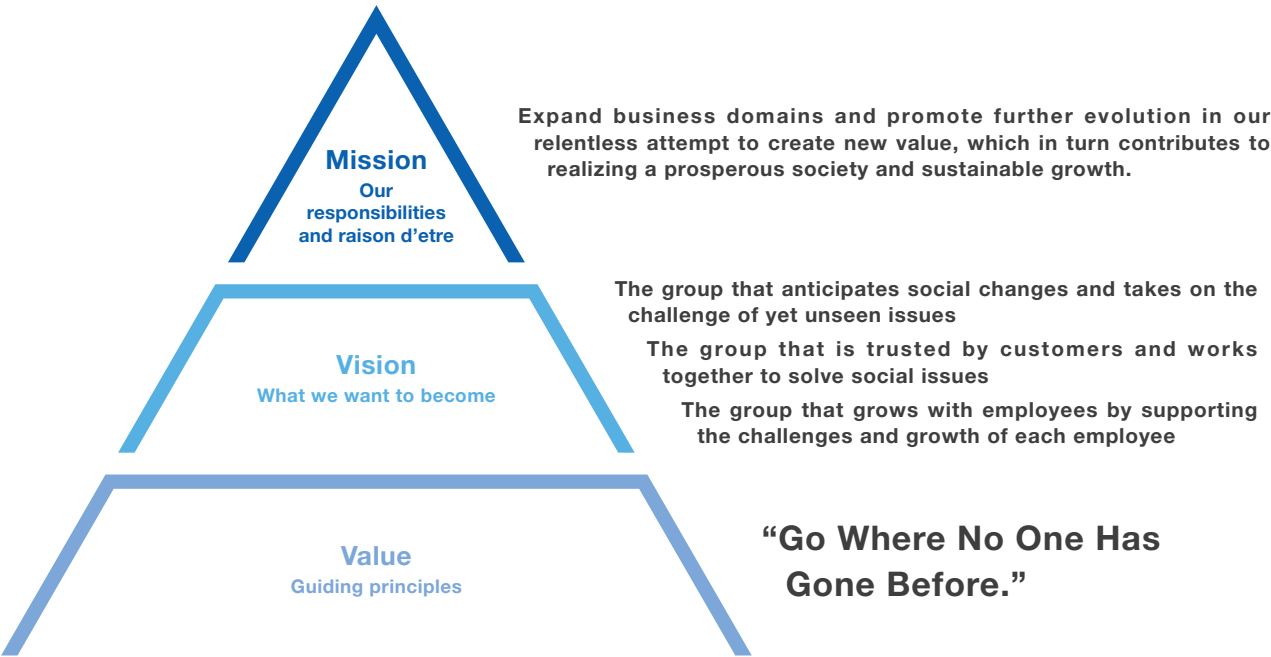
FUYO LEASE GROUP

Fuyo Lease Group Integrated Report

2022



Fuyo Lease Group’s Mission, Vision and Values



CONTENTS

About us

- 01 CONTENTS
- 03 Corporate History
- 05 Introduction of Fuyo Lease Group

Fuyo Shared Value

- 07 Message from the President
- 11 Medium-Term Management Plan
- 15 Materiality
- 17 Financial and Non-Financial Highlights

CSV Highlight

- 19 CSV1 : Energy and Environment
- 21 CSV2 : Circular Economy
- 23 CSV3 : BPO/ICT
- 25 CSV4 : Mobility Business
- 27 CSV5 : Medical & Welfare
- 29 Real Estate/Aircraft
- 31 Business Segments Overview

Management

- 35 CSV Promotion System
- 37 Human Investment
- 40 Human Rights Policy
- 41 DX Strategy
- 42 Information Disclosure Based on TCFD Recommendations
- 45 Community Contribution


Corporate Governance

- 47 Board Members
- 49 Message from an Outside Director
- 51 Corporate Governance
- 56 Risk Management
- 58 Compliance System
- 59 Independent Assurance Report

Financial Section / Corporate Data

- 61 Message from Senior Financial Officer
- 63 Financial Section
- 125 Stock Information / Participation in Initiatives

Editorial Policy

Purpose of this Report	From 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 2022	The New Medium-Term Management Plan, “Fuyo Shared Value 2026,” is composed so that it can be comprehended as a medium- to long-term growth strategy based on the concept of CSV (creating share value between society and companies), as well as striving to enhance descriptions of financial strategies. In addition, there is enhanced disclosure of sustainability-related policies and systems, including disclosure of information on multiple fronts, including investment in human resources, human rights policies and disclosure of information based on TCFD recommendations, as well as governance-related disclosure, such as initiatives to improve the effectiveness of the Board of Directors.
Reporting Period	Fiscal year 2021 (April 2021 - March 2022) *The report also includes some information pertaining to fiscal year 2022.
Scope of Reporting	Fuyo General Lease Co., Ltd., its 59 consolidated subsidiaries and 13 affiliate companies
Reference Guidelines	International Financial Reporting Standards Foundation “International Integrated Reporting Framework” (published in January 2021)
Date of Issuance	September 2022
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.
Independent Assurance	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  .

Fuyo Lease Group History

Strategy History

2014 > 2016
Value Creation 300

Strengthening Profitability through Value Creation for Customers

The Fuyo Lease Group has evolved and advanced the leasing business from the standpoint of “value creation by solving customers problems” under the key concepts of solutions and value creation. In addition, we have shifted to non-finance leasing by developing Strategic Areas such as Aircraft and Real Estate to build a profitable business portfolio.

2017 > 2021
Frontier Expansion 2021

Expanding the Frontier Beyond the Boundaries of Traditional Finance Leasing

Real Estate, Energy & Environment, Medical & Welfare, Aircraft and Overseas were positioned as Strategic Areas, and we concentrated and strengthened our management resources while promoting the expansion of new business areas such as business process outsourcing (BPO) and Mobility through proactive M&A strategies. We also worked to strengthen collaboration among Group companies to utilize synergies across the entire Group, which had acquired various functions through M&A.

2022 > 2026
Fuyo Shared Value 2026

Aim to Solve Social Issues and Simultaneously Create Economic Value through the CSV Strategy

Under the Medium-Term Management Plan that began this fiscal year, we will focus on the concept of CSV (Creating Shared Value), which we have emphasized up until now, and aim to simultaneously achieve social value (solving social issues) and corporate value (economic value). By allocating management resources in line with changes in society within our diverse business portfolio, we aim to achieve sustainable and stable profit growth while solving social issues. In addition, we will move forward on creating shared value by investing in human resources and DX and significantly strengthening initiatives.



Otemachi Building (1969)



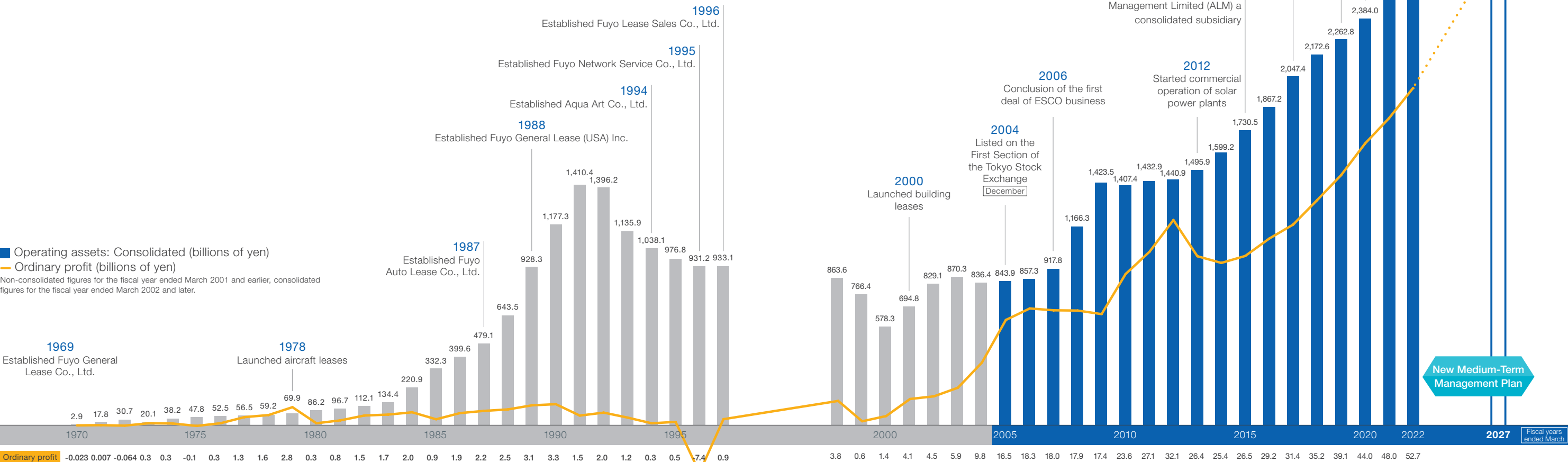
Established Fuyo Auto Lease Co., Ltd. (1987)



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



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



*1 Figures before listing are for reference only.

*2 Operating assets for the fiscal year ended March 1999 and earlier are calculated by totaling lease assets, installment receivables, loans, etc.

*3 Due to a change in the method of presentation in the fiscal year ended March 31, 2019, the figures after reclassification reflecting the change have been presented since the fiscal year ended March 31, 2015.

Overview of Fuyo Lease Group

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.



Mobility Business



Circular Economy



Energy & Environment



BPO/ICT



Medical & Welfare



Real Estate



Aircraft



General lease and financing

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

Prime Market of the Tokyo Stock Exchange (ticker: 8424)

Number of employees

Consolidated: 3,189/Non-consolidated: 798 (as of March 31, 2022)

Operation

Domestic: Head office sales department and 14 regional sales offices (non-consolidated) 16 domestic group companies/11 overseas group companies
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 and consultative services, etc.

Line of business

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.

Accretive Co., Ltd.



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

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.

WorkVision Corporation



WorkVision provides a full range of IT solutions centered on cloud service and package service that covers planning, development and sales to operation, maintenance and other services.

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.

FGL Circular Network Co., Ltd.



FGL Circular Network engages in recycling resources by buying and selling Fuyo Lease's properties with expired leases and used properties owned by customers.

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.

Yokogawa Rental & Lease Corporation



Yokogawa Rental & Lease 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.

Sharp Finance Co., Ltd.



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

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.

YAMATO LEASE CO., LTD.



In addition to aiding in 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.

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 Techno-Solutions Co., Ltd.



FGL Techno-Solutions Co., Ltd provides equipment sales, outsourcing helpdesk services, kitting and construction and other technical services in ICT-related fields.

FGL LeaseUp Business Service Co., Ltd.



FGL LeaseUp Business Service handles the paperwork for Fuyo Lease's lease expiration projects on behalf of Fuyo Lease.

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.

Merry Biz Inc.



Merry Biz 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 (HK) Limited



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

Fuyo General Lease (Taiwan) Co., Ltd.



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

FGL Aircraft Ireland Limited



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

TDF Group Inc.



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

PLIC Corp., Ltd.



PLIC Corp. provide logistics solutions in Thailand, including forklift rental with maintenance and automated warehousing system implementation consultations, sales and installations.

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 (Asia) Pte. Ltd.



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

Fuyo General Lease (Thailand) Co., Ltd.



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

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 service.

Pacific Rim Capital, Inc.



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



Top Message

In anticipation of what society will be in 10 years, we aim to achieve sustainable growth by simultaneously solving social issues and enhancing corporate value.

Review of the Previous Medium-Term Management Plan

My name is Hiroaki Oda, and I'm honored to be appointed president & CEO of Fuyo General Lease Co., Ltd.

The Fuyo Lease Group's five-year Medium-term Management Plan, Frontier Expansion 2021, marked its final year in fiscal 2021 (the fiscal year ended March 31, 2022). During this time, we achieved all of the plan's key management goals (ordinary profit, return on assets (ROA), and operating assets). Notably, ordinary profit showed a high average annual growth rate of over 10%. These results were made possible by achieving improved ROA while also accumulating operating assets. This achievement, in turn, reflected growth in businesses in New Domains such as non-asset businesses like business process outsourcing (BPO) and the Mobility Business, coupled with the expansion of businesses focused on Strategic Areas, which serve as our growth drivers. Moreover, I believe that the past five years marked a period in which our full-scale launch of inorganic strategies to maximize group synergies and CSV management to create shared value between society and companies enabled us to demonstrate, through our track record, that we could achieve sustainable growth even in the financial industry, which has traditionally been regarded as a stable, low growth sector.

Moving to a New Era by Aligning Directors' and Employees' Values, Judgment, and Actions in the Same Direction

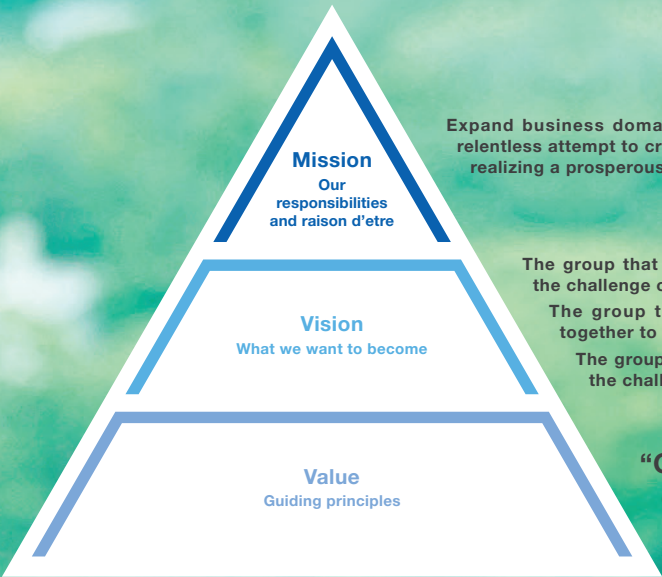
The Fuyo Lease Group's corporate slogan is "Go Where No One Has Gone Before." The Group has consistently encouraged employees to embrace challenges under this slogan. This encouragement has grown into a powerful driving force, resulting in the Group's impressive results. We used the launch of our new medium-term management plan to chart a course to "Go Where No One Has Gone Before." In order to share with all executives and employees, and to provide a guide for moving forward, we have created our "Mission," "Vision," and "Values" as a new statement after reviewing our past actions and experiences.

Our Vision, or in other words our description of "What we want to become," states that we will become a group that anticipates social changes and takes on the challenge of yet unseen issues; a group that is trusted by customers and works together to solve social issues; and a group that grows with employees by supporting the challenges and growth of each employee. While realizing this Vision will take time, I'm confident that if every employee combines their individual aspirations with the Vision, we will get closer to realizing it little by little.

The new Medium-Term Management Plan, which I will now describe, will signal the start of this Vision. Through this plan, we will make steady strides toward realizing "what we want to become."

Hiroaki Oda

President & Chief Executive Officer



Expand business domains and promote further evolution in our relentless attempt to create new value, which in turn contributes to realizing a prosperous society and sustainable growth.

The group that anticipates social changes and takes on the challenge of yet unseen issues
The group that is trusted by customers and works together to solve social issues
The group that grows with employees by supporting the challenges and growth of each employee

"Go Where No One Has Gone Before."

Fuyo Shared Value 2026 –
A Medium- to Long-Term Growth Strategy
Based on CSV

Our new Medium-Term Management Plan, Fuyo Shared Value 2026, fully embraces the Creating Shared Value (CSV) approach, which aims to solve social issues through business while also enhancing corporate value. Fuyo Shared Value 2026 is Fuyo Lease Group’s new growth strategy – one that aims to achieve sustainable profit growth through the balanced pursuit of financial goals (corporate value) and non-financial goals (social value).

In anticipation of what the world will be in 10 years, we constantly consider what we will need to accomplish as a company to solve social issues. We developed strategies for each business domain using a backcasting approach that focuses on what we will need to have accomplished five years from now, which is at the midway point of our 10-year time frame. We set up two fields that represent the social value that we should realize as we enhance our corporate value through our businesses. The two fields are “Environment” and “Society and People.”

Environment

In the environment field, the most important issue is the realization of a decarbonized society, so massive investment, including the development of renewable energy, is expected. In the U.S., investments between several ¥10 trillion and ¥100 trillion are anticipated over the next 10 years, whereas in Europe investments to double the renewable energy ratio (on a power mix basis) from its current level to 65% will be needed in 2030.

Even in Japan, the public and private sectors are expected to invest around ¥150 trillion yen over 10 years to achieve greenhouse gas emissions targets,*1 and it is uncommon for a single theme to drive the economy on such a vast scale. Furthermore, initiatives will be accelerated, such as those to store electricity in order to use renewable energy effectively and efficiently. The Group sees this external environment as a business opportunity and will invest more than ¥300.0 billion in the promotion of decarbonization over 5 years. We will advance the renewable energy power business worldwide, increasing our renewable energy power generation capacity by more than 3 times the current level to 1,000 MW. Moreover, in the field of energy management, we will work intensively on priorities such as promoting the widespread adoption of electric vehicles (EVs) by developing package solutions that encompass chargers and storage batteries. Naturally, we will also continue to advance the Group’s carbon neutrality efforts (achieve carbon neutrality and RE100*2 in 2030).

Furthermore, we will increase our efforts to realize a circular society in order to build a sustainable world. The Group, as the owner of numerous lease assets, connects the forward logistics of economic supply responsible for the production and sale of products, and the reverse logistics of economic collection that recycle and reuse products after they have been used. In collaboration with partner companies, we will strive to realize a circular society by launching a circular economy platform that generates economic benefits by facilitating the circulation of resources.

Society and People

In the field of Society and People, addressing the shrinking labor force and improving productivity are important themes to society. We always hear about problems in this area when we speak with our customers. In fact, the COVID-19 pandemic has altered work styles and demand for business process outsourcing (BPO) has been increasing. Customers will need to address issues such as the so-called 2024 problem*3 in the logistics industry. Therefore, demand for solutions to improve business efficiency will only continue to increase. The Group will promote a total solution that it has named a business process service (BPS), which links BPO and information and communication technology (ICT). In addition to BPO, the Group will offer proposals for fundamentally improving business efficiency through the replacement of whole business systems. Moreover, the Group intends to provide Environmental BPS as a service. This service will use BPS to support companies’ decarbonization initiatives and disclosure of related information.

In the Medical & Welfare field, one priority is that as society continues to age, it will be absolutely critical to maintain and improve the community healthcare system. The Group will provide Healthcare BPS, which will combine traditional healthcare and BPS, by offering BPO services for medical office work and by promoting improved efficiency using ICT. The Group will support the effective utilization of management resources by healthcare providers to contribute to the development of a dependable community healthcare system.

Additionally, the Group has supported the advancement of innovation by investing in more than 20 startups to date. In the future, the Group will continue to collaborate with startups that will play a key role in solving edgy social issues.

The Group will continuously meet the expectations of society, customers, and business partners by providing solutions to the important social issues described above. Concurrently, these efforts will also present the Group with major earnings opportunities, so we have positioned these business domains as growth drivers and will intensively allocate management resources to each of these growth drivers.

Throughout the process of formulating the Medium-Term Management Plan, we held many discussions with outside directors and we gained insights from their many and varied opinions and viewpoints. In addition, the entire Board of Directors agreed on a shared medium- to long-term strategy based on CSV, and non-financial indicators were developed and adopted as evaluation criteria for directors’ performance-linked remuneration from the current fiscal year. The Group’s directors and employees will work as one to meet both financial and non-financial targets.

Nurture People Who Create Sustainable Value
and Foster Relationships with Customers

People are crucial to creating sustainable value. The Fuyo Lease

Group is a non-manufacturing business, so it doesn’t necessarily possess cutting-edge technologies or game-changing products. The main thrust of its value creation process is for employees to listen carefully to customers and obtain hints from such dialog, identify customers’ true needs, and then create and provide solutions. It is crucial that employees ensure that the first instance of value creation builds the relationship with the customer and earns their trust, and thus leads to the next instance of value creation, thereby generating a positive cycle. By repeating this process, the customer relationship will evolve into an even stronger partnership.

To make this happen, we will focus on investment in human resources and work in earnest to support the growth of employees. We will provide as many opportunities as possible for training so that employees can identify and solve the issues they need to overcome to attain personal growth. To do so, the Company will prepare the necessary training program and create a framework that facilitates participation in the training. The sub-heading of our Medium-Term Management Plan contains the phrase “through human growth and dialog.” In keeping with this phrase, we will support human growth, while further deepening our customer relationships through dialog with customers. Through these efforts, we will strive to create sustainable value.

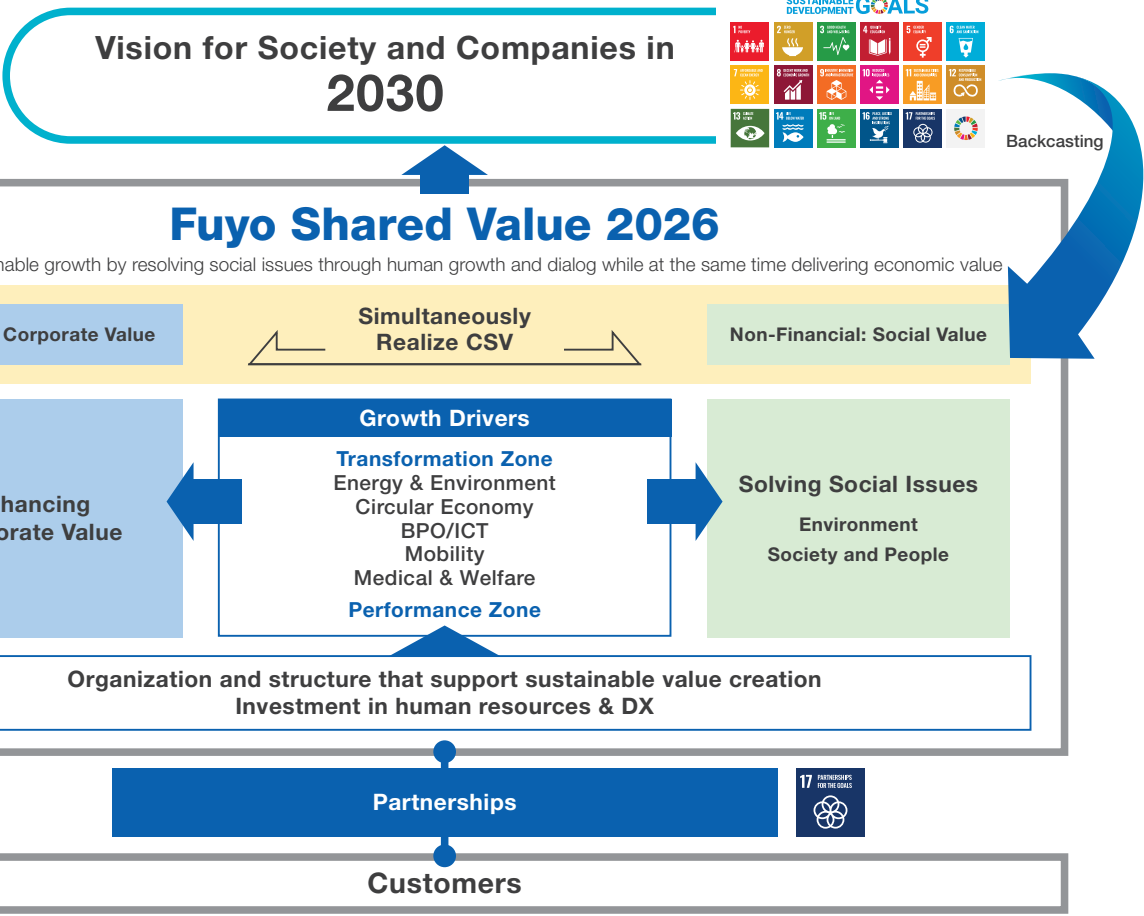
Another key is digital transformation (DX). DX is most effective when it visualizes issues and harnesses data. We will strive to raise the sophistication of business processes using digital technologies to rapidly propose solutions that better fit customer needs. We will supply valuable solutions that combine the capabilities of people and DX, with a view to fostering strong relationships with customers.

Towards Achieving Sustainable Corporate
Growth

In these times of major upheaval, we have not only seen the emergence of the COVID-19 pandemic and geopolitical risks, but we could also experience events that are even more unexpected in the near future. The path to realizing our vision for “what we want to become” is by no means smooth and straight. It is essential that we constantly overcome new problems that will arise along the way by constantly formulating hypotheses, taking action and verifying those actions, as we continually anticipate social changes and refine our problem-solving skills. The Fuyo Lease Group is determined to ceaselessly come up with ways to deliver value, with a view to creating an even better society. Through these efforts, we aim to achieve sustainable growth as an enterprise, and we will constantly enhance our capabilities so that we can serve society as a reliable and trusted partner.

Looking ahead, we will continue to ambitiously expand new business domains and create value as we endeavor to realize a prosperous society and sustainable growth.

*1 To achieve carbon neutrality by 2050, the Japanese government announced in April 2021 a target for a 46% reduction in greenhouse gas emissions by fiscal 2030 (compared to fiscal 2013).
*2 RE100 is an abbreviation comprised of the initial letters of “Renewable Energy 100%.” It is an international corporate partnership whose members intend to procure all of the electricity they need for their business operations from renewable sources.
The Company joined in 2018 and aims to achieve RE100 and become carbon neutral by 2030 for the Group.
*3 The 2024 problem refers to a wide range of issues that are expected to arise in the logistics industry when work style reform laws, such as regulations limiting overtime work, go into effect. Transportation companies will need to limit truck drivers’ extended overtime hours and implement measures to improve productivity by improving business processes even more than before.



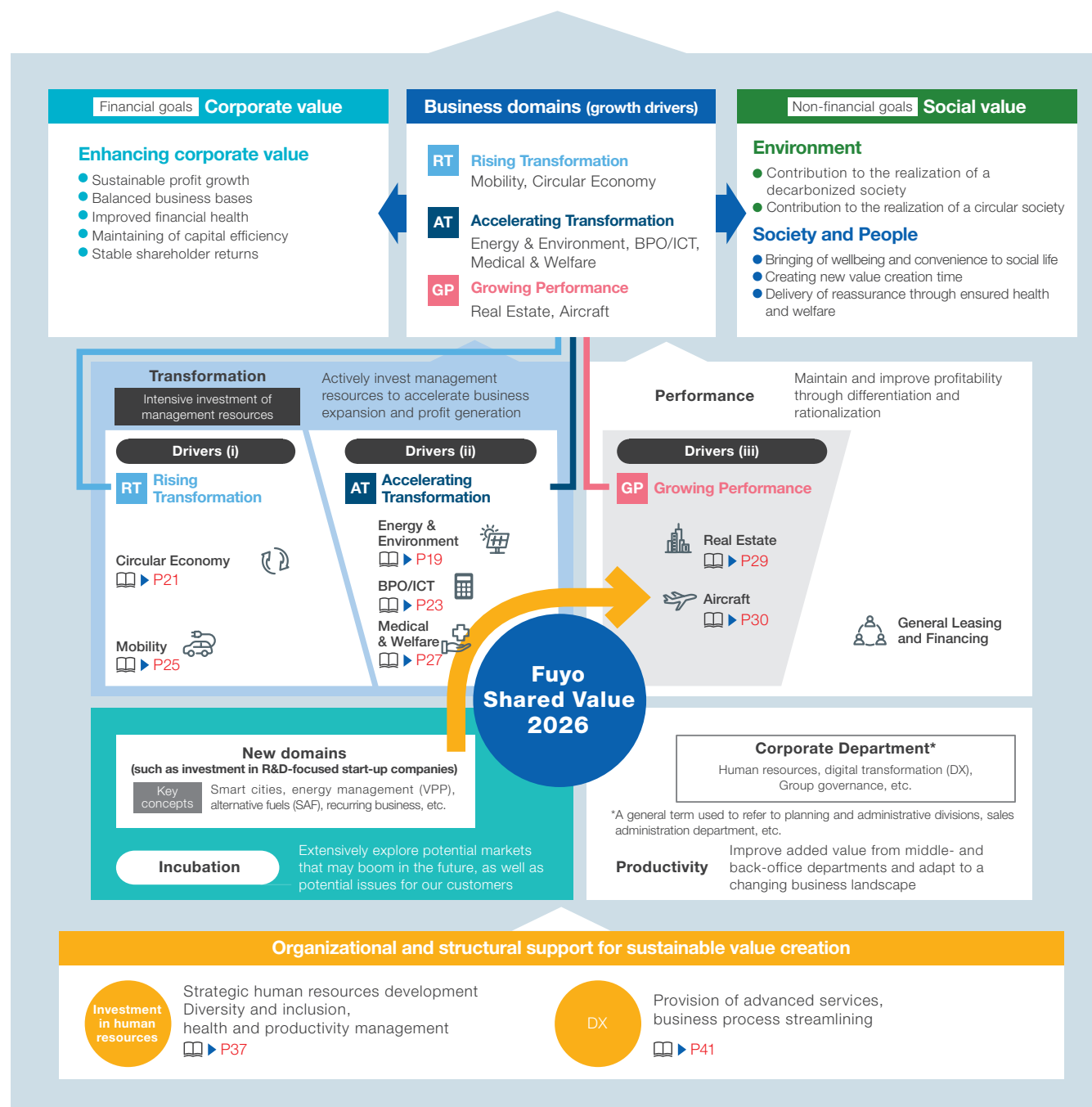
Overview of Fuyo Shared Value 2026

Our new medium-term management plan Fuyo Shared Value 2026 was formulated based on our core management principle of Creating Shared Value (CSV) and takes an approach that weighs financial (corporate value) and non-financial (social value) equally. Under the plan, we will pursue sustainable growth as a corporate group by resolving social issues while at the same time delivering economic value.

New Medium-term Management Plan Vision

Fuyo Shared Value 2026

Achieving sustainable growth by resolving social issues through human growth and dialog while at the same time delivering economic value



Strategy Formulation

To encourage a major transformation of our business portfolio, we formulated our five-year medium-term management plan using a backcasting approach in which we envisioned how we want the Group to be in 10 years' time and then worked out what needs to be done to achieve this, while also considering significant paradigm shifts, such as business trends and changes in customer behaviors.

For each individual business, we used current business strategy as a base and analyzed what would give each business an advantage over competitors in the business environments of five years' time and 10 years' time. We then factored in a CSV perspective to create the outline of a strategy.

Growth Drivers

Based on a zone management approach under which we have divided our business areas into four zones, we carried out a comprehensive evaluation that took into account factors such as the growth potential and profitability of each business, and the Group's strengths. Based on the results, we selected seven business areas out of the Group's multiple business areas and organized them into three types of growth driver. We plan to intensively invest management resources in business areas where market growth and the creation of new

markets is expected, and thoroughly differentiate and rationalize in mature business areas where market competition is fierce. This shift in the allocation of management resources will advance business diversification as we transition to a revenue structure that resembles a mountain range with multiple peaks under a free and unrestricted management environment.

At the same time, under our CSV approach in which we work to solve social issues through our business, we have connected each of the seven business areas to the domains of "Environment," in which it will aim to contribute to realizing a sustainable global environment, and "Society and People," in which it will aim to contribute to realizing a prosperous society and a healthy life for all people. In this way, we will advance a variety of initiatives that create both social and economic value.

Structures that Support Sustainable Value Creation

We will support sustainable value creation through a human resources strategy that strengthens the development of high added value human resources who can undertake the diversification and advancement of business areas to drive sustainable growth and a DX strategy that effectively uses digital technology to continually adapt to changes in the external environment.

Management Goals

We have set financial and non-financial goals for fiscal 2026 to balance the realization of corporate and social value. For financial goals, we will aim for sustainable profit growth by further enhancing profitability, and we will respond to diversifying risks by improving financial health and by maintaining and improving capital efficiency. For non-financial goals, we have set targets focused on initiatives related to "Environment" and "Society and People," which are domains that are closely linked to the Group's business areas, in order to enhance corporate value by solving social issues. For all non-financial goals, please see the Materiality pages (p.15-16).

Financial Goals

Item	FY2021 Result	FY2026 Target
Ordinary profit ^{*1}	¥52.7 billion	¥75.0 billion
ROA Ratio of ordinary profit to operating assets	2.06%	2.5%
Shareholders' equity ratio	11.3%	13 - 15%
ROE	10.6%	10% or more

^{*1} We have set an interim goal for ordinary profit in FY 2024 of ¥64.0 to 66.0 billion.

Non-financial goals (excerpts)

	Item	FY2026 Target
Environment	Contribution to CO ₂ reduction	500,000 t-CO ₂
	Amount invested in promoting decarbonization (sum total for five years)	¥300.0 billion
	Renewable energy power generation capacity ^{*2}	1,000 MW
	Percentage of Group vehicles that are EVs or FCVs (percentage held by Fuyo Auto Lease)	30%
Society and people	Percentage of returned PCs that are reused or recycled	100%
	Percentage of materials/chemicals contained in waste plastics (from returned items) that are recycled	100%
Investment in human resources	Work hours saved by our customers (creation of new value creation time through BPO/ICT services)	1 million hours (compared to FY2021)
	Human resources development-related expenses (non-consolidated)	300% (compared to FY2021)

^{*2} Applicable investments made in the Renewable Energy Generation Business, project financing, etc. (power generation capacity is calculated based on ownership ratio or share)

Financial Goals

Corporate value

Non-financial Goals

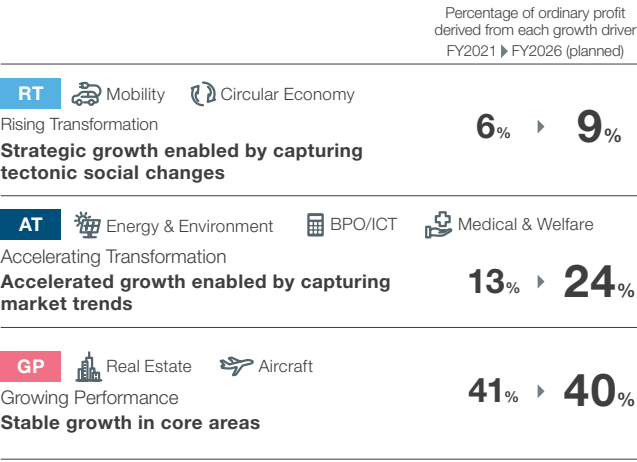
Social value

Three Growth Drivers

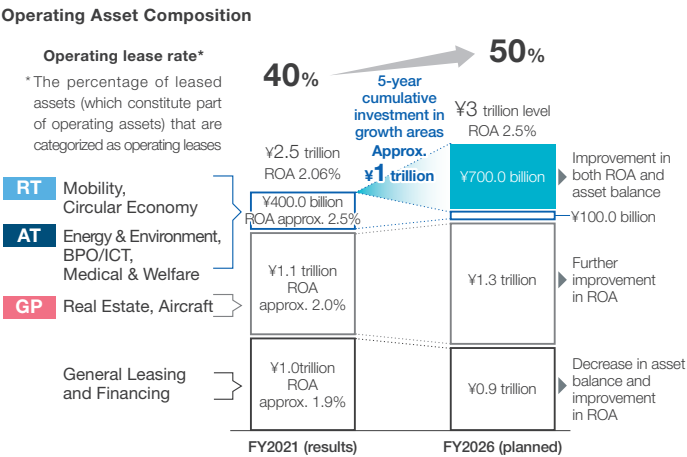
We have established three growth driver areas. Each of these areas is defined in the chart to the right.

Mobility and Circular Economy have been positioned in the RT area and Energy & Environment, BPO/ICT, and Medical & Welfare have been positioned in the AT area. These are areas where market growth and the creation of new markets is anticipated, so we will intensively invest management resources in these two areas with the aim of realizing dramatic growth in profits.

Real Estate and Aircraft have been positioned in the GP area, where we are aiming for stable growth in core areas. We will maintain and improve profitability through differentiation, even within fiercely competitive market environments.



Investing Management Resources in Growth Drivers



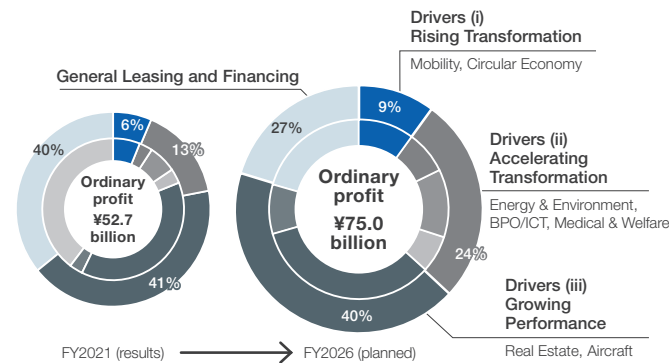
In the RT and AT areas, where we are aiming for dramatic profit growth, we will invest a total of around ¥1 trillion over five years, primarily in Energy & Environment and Mobility. We will raise ROA while at the same time doubling the balance of operating assets from around ¥400 billion to ¥800 billion.

In core areas, including the GP area, we will further improve profitability by advancing differentiation and rationalization.

In addition to existing business areas, we will also expand into new businesses. This will enable us to handle even more operating leases and raise the percentage of operating leases within our leased assets.

Transitioning to a Mountain Range Revenue Structure

We will actively develop businesses in the business areas that we have positioned as growth drivers to further advance “non-finance leasing” and “non-financial services” efforts. This bold shift in management resource allocation will facilitate a transition to a revenue structure that resembles a mountain range with multiple peaks, comprising a diverse portfolio of businesses.



Solving Important Social Issues and Establishing Organizational and Structural Support for Sustainable Value Creation

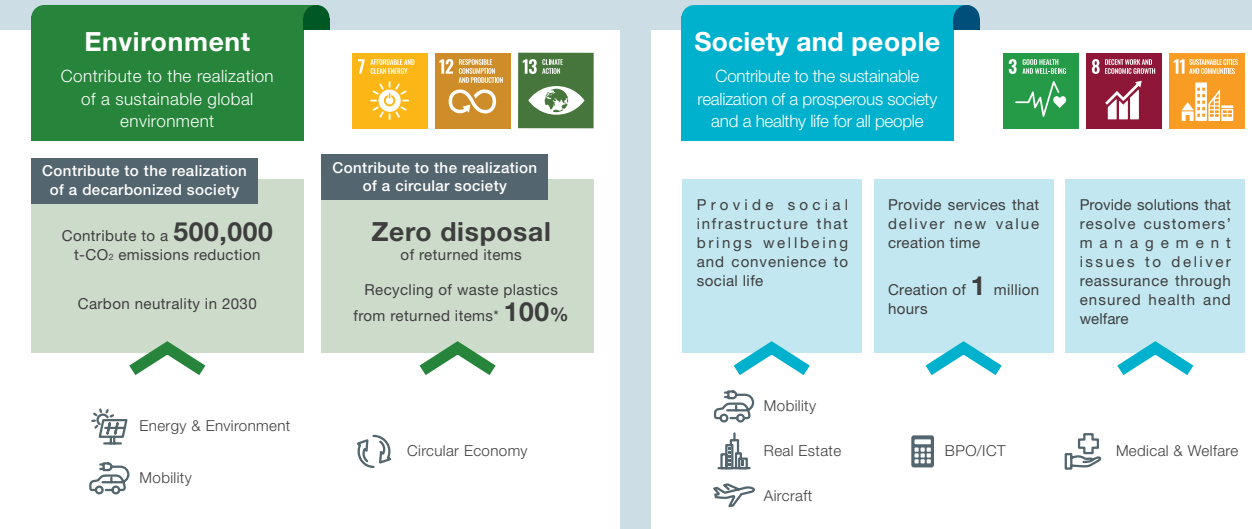
We will address social issues that are considered a priority under our CSV approach (creating corporate value by solving social issues through our business) and issues concerning the establishment of organizational and structural support for sustainable value creation.

Environment	We will contribute to the realization of a sustainable global environment by addressing the urgent international issues of realizing a decarbonized society and realizing a circular society as key issues.
Society and People	i) We will bring wellbeing and convenience to social life by maintaining social infrastructure such as real estate and transportation. ii) We will create new value creation time by providing services that can make operations more efficient in areas such as BPO/ICT. iii) We will deliver reassurance by ensuring health and welfare through solutions that resolve the management issues faced by medical welfare providers. By tackling this as a key issue, we will contribute to the sustainable realization of a prosperous society and a healthy life for all people.
Organizational and structural support for sustainable value creation	We will encourage employees to keep taking on challenges and growing by advancing efforts addressing the key issues of investment in human resources, diversity and inclusion, health and productivity management, and ensuring work-life balances.



Realizing a prosperous society and contributing to sustainable growth

Expand business domains and promote further evolution in our relentless attempt to create new value
Anticipate social changes and take on the challenge of yet unseen social issues.



Venture investment and incubation

Partnership
Gain the trust of customers and work together with them to create value



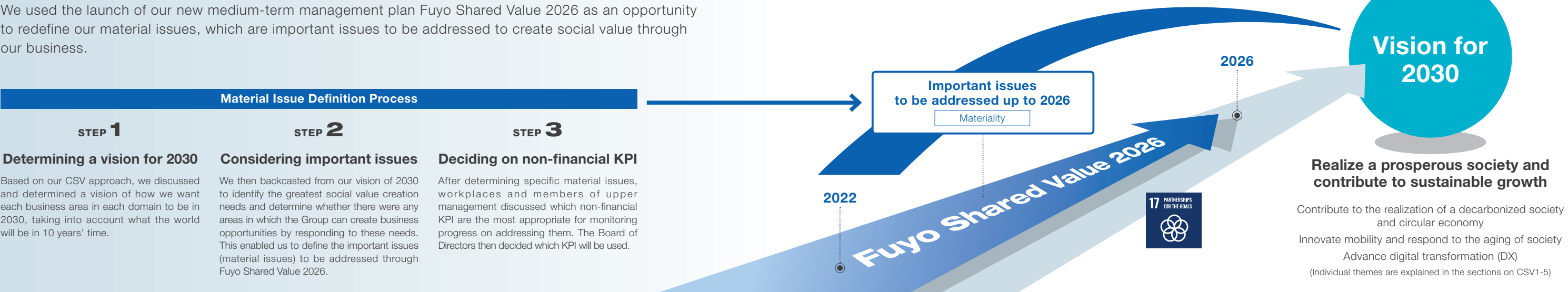
Structures that support sustainable value creation
Encourage employees to keep taking on challenges and growing so that the Group can grow together with employees



*Material and Chemical Recycling

Materiality

We used the launch of our new medium-term management plan Fuyo Shared Value 2026 as an opportunity to redefine our material issues, which are important issues to be addressed to create social value through our business.



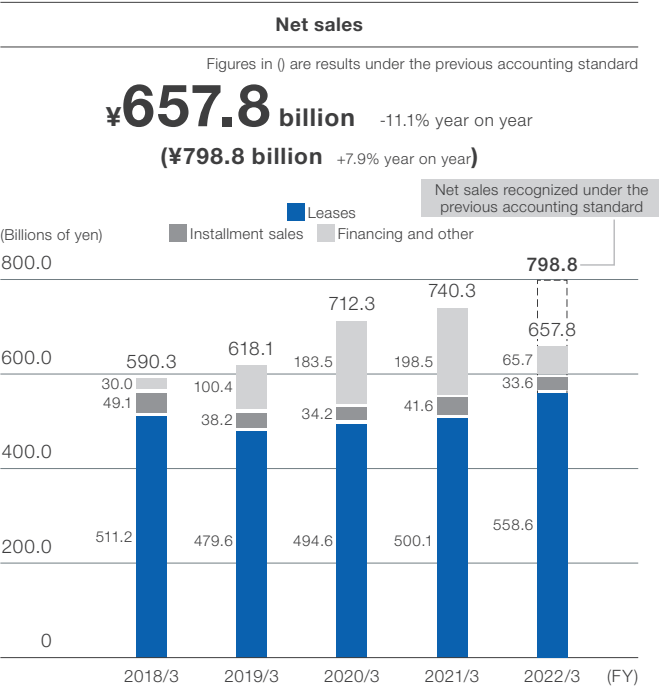
Creating Social Value Through the Execution of Business (Materiality)		Non-Financial KPI	FY2026 Targets	Supplemental	Relevant SDGs
Environment	Contribution to the realization of a decarbonized society	Contribution to CO ₂ emissions reduction	500,000 t-CO ₂	The estimated reduction in CO ₂ emissions achieved through the provision of facilities and services that contribute to decarbonization.	
		Amount invested in promoting decarbonization	Total of ¥300.0 billion over five years	The total of capital expenditure related to the provision of facilities and services that contribute to decarbonization as well as investment in and loans to businesses that contribute to decarbonization, etc.	
		Renewable energy generation capacity*1	1,000MW	FY2021 result was 318 MW.	
		Percentage of Group vehicles that are EVs or FCVs	30%	Percentage owned by Fuyo Auto Lease.	<div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div></div> <div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div> <div><div>13</div><div>CLIMATE ACTION</div></div>
		Amount of financing handled for the promotion of decarbonization*2	Total of ¥10.0 billion over five years	The cumulative result for FY2019-2021 was ¥6,460 million. ¥10.0 billion is a cumulative target for the five-year period from FY2022-2026.	
Society and people	Contribution to the realization of a circular society	Percentage of returned items that are reused or recycled	100%	FY2021 results were 100% for PCs and 95% for other items. Under the new medium-term management plan, the target covers all returned items.	
		Percentage of materials/chemicals contained in waste plastics (from returned items) that are recycled*3	100%	Excludes thermal recovery*4. The percentage of Material and chemical recycling*3 that will contribute to a reduction in CO ₂ emissions or resource recycling.	
	Delivery of reassurance by ensuring health and welfare	Number of new rooms provided at elderly care homes	Total of 1,000 rooms over five years	The number of rooms created through building leases for elderly care homes.	
		Management support-related financing in medical and welfare markets	¥56.0 billion	The balance of operating assets for financing related to FPS Medical (factoring for medical and nursing care receivables by Accretive) and business succession. The FY2021 balance related to FPS Medical was ¥23.3 billion.	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div> <div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div> <div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div>
	Creation of new value creation time	Work hours saved by our customers	+1 million hours compared to FY2021	In FY2021, we provided BPO services to 20,134 companies. Under the new medium-term management plan, hours saved at customer companies through the provision of services will count toward the target.	
Organizational and structural support for sustainable value creation	Value creation through partnerships	Investment in venture companies that have technologies and services that will create new social value	No quantitative target	Investment in start-up companies that are working to solve social issues, primarily in business areas positioned as growth drivers.	<div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div></div>
	Strategic human resources development	Human resource development-related expenses (non-consolidated)	300% compared to FY2021	FY2021 result was ¥74.0 million.	
		Percentage of female employees in management positions (non-consolidated)	35%	FY2021 result was 29.5%.	
	Diversity and inclusion	Percentage of eligible male employees who have taken childcare leave (non-consolidated)	100%	FY2021 result was 110%.	
		Percentage of employees aged 35 or over who have had a health examination (non-consolidated)	100%	FY2021 result was 86%.	<div><div>5</div><div>GENDER EQUALITY</div></div> <div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div>
	Health and productivity management, work-life balance	Rate of taking annual paid leave (non-consolidated)	90%	FY2021 result was 82.3%.	
		Rate of taking the +Friday system (non-consolidated)	No quantitative target	A system enabling employees to select one Friday of each month to work only a half day.	
		Percentage of improvement in engagement indicators (consolidated)*5	No quantitative target	In FY2021, the percentage of employee satisfaction toward work*5 was 85.9%.	

*1 Covers investments made in the Renewable Energy Generation Business, project financing, etc. (power generation capacity is calculated based on ownership ratio or share)
*2 Covers the Fuyo Zero Carbon City Support Program and the Fuyo 100% Renewable Electricity Declaration Support Program
*3 Material recycling: Waste that is reused as a raw material. Chemical recycling: Used resources that have their compositions altered through chemical reactions and are then recycled.
*4 The recovery and reuse of thermal energy generated by burning waste.
*5 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

To see fiscal 2021 materiality and KPI results and targets, please visit our website.

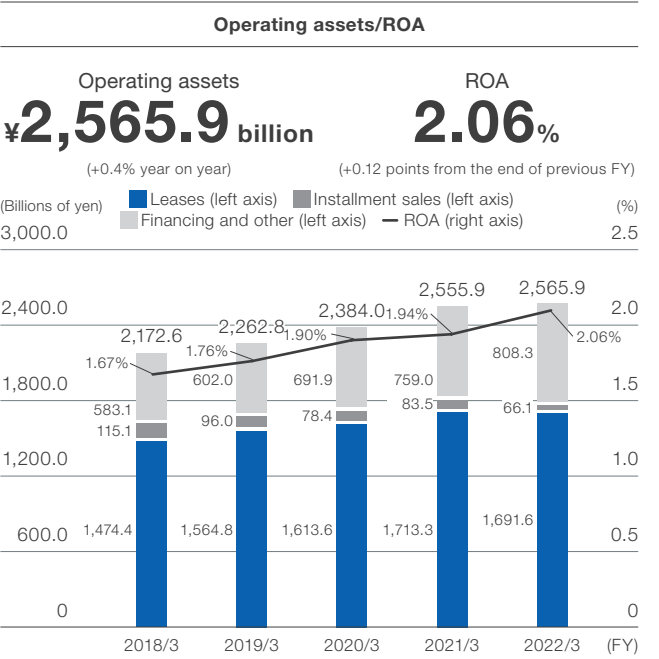


Financial Highlights

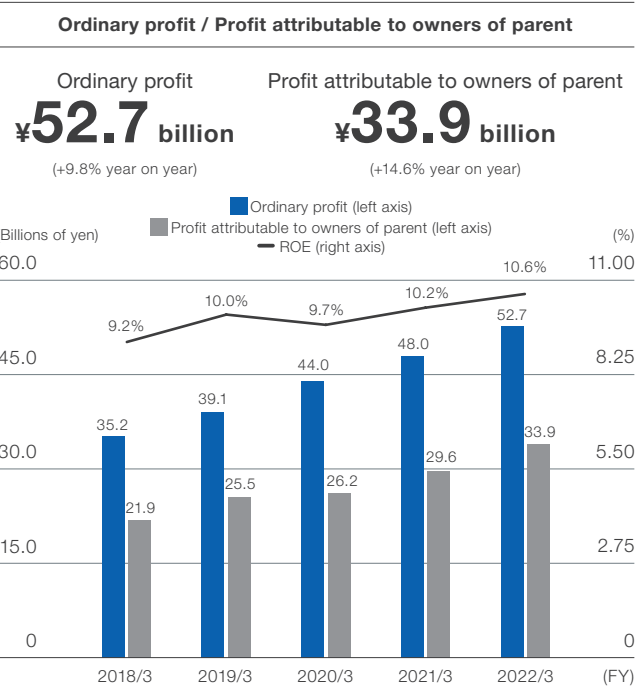


Although the value of net sales decreased due to the application of the revised Accounting Standard for Revenue Recognition and associated guidance, the application of said standard has not affected actual revenues. Additionally, the amount of net sales recognized under the previous accounting standard was ¥798.8 billion (up 7.9% year on year), primarily due to growth in strategic areas.

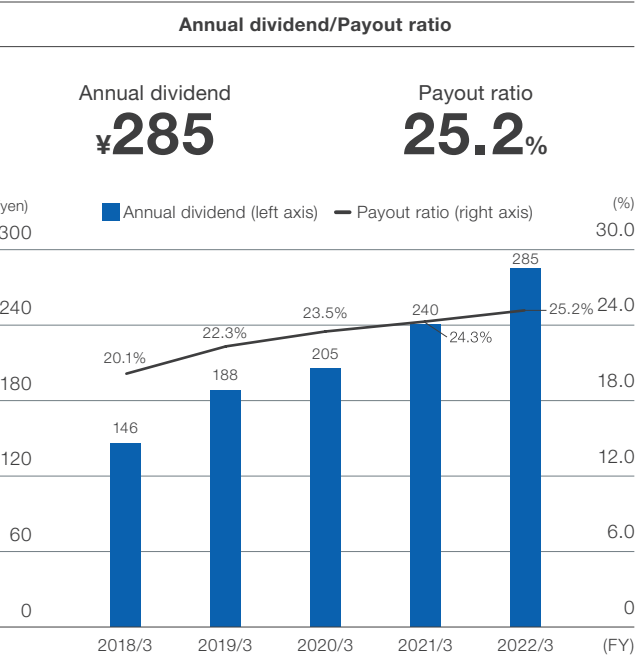
The revised Accounting Standard for Revenue Recognition and associated guidance has been applied from the start of fiscal 2021 and the net sales for fiscal 2021 shown here is the figure after the application of said standard.



The balance of operating assets was ¥2,565.9 billion (up 0.4% year on year) and ROA was 2.06% (up 0.12 points from the end of previous fiscal year) due to the accumulation of operating assets, particularly in strategic areas, and the advancement of asset controls that take profitability into account. The results for both operating assets and ROA surpassed the targets of the previous medium-term management plan (¥2,500.0 billion for operating assets and 2.0% for ROA).

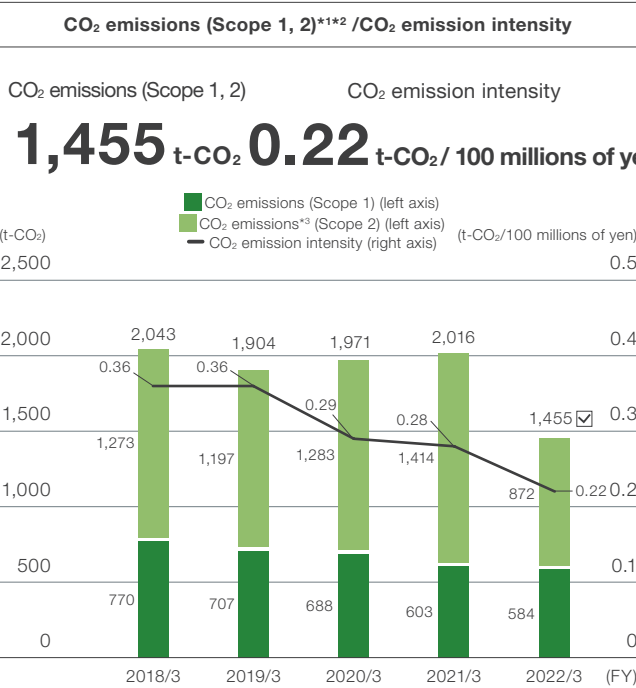


Ordinary profit was ¥52.7 billion (up 9.8% year on year) and profit attributable to owners of parent was ¥33.9 billion (up 14.6% year on year). This represents another consecutive year of record highs for both types of profit and ordinary profit also surpassed the target of the previous medium-term management plan (¥50.0 billion). Contributing factors included growth in gross profit before interest expenses due to business expansion in strategic areas and increases in non-operating income items such as the share of profit of entities accounted for using equity method.



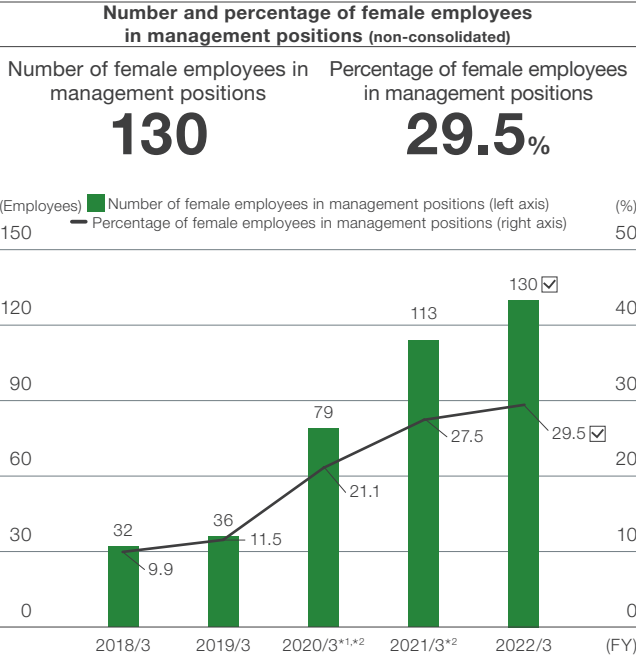
The Fuyo Lease Group has a basic policy of working to distribute profits to shareholders by continuing to pay stable dividends over the long term. The annual dividend for fiscal 2021 was ¥285. This continues the trend of dividend increases every year since the company went public in 2004. The payout ratio also increased for a seventh consecutive year, reaching a record high of 25.2%.

Non-Financial Highlights



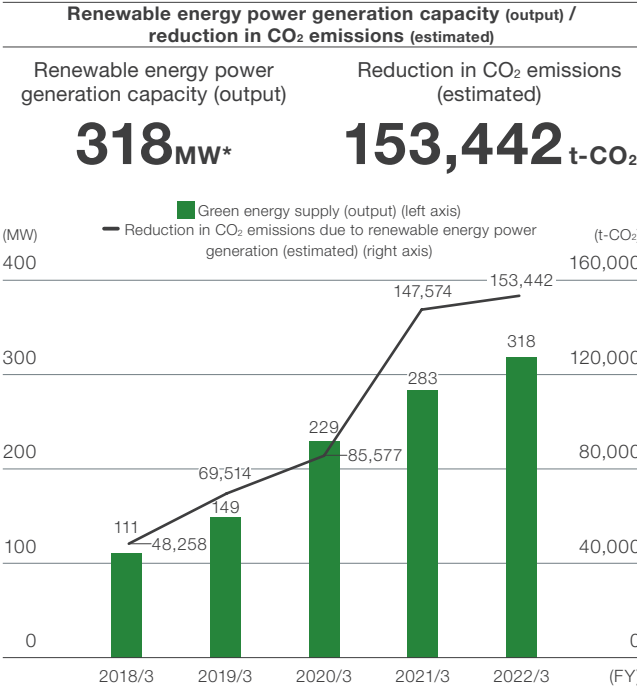
In fiscal 2021, we reduced CO₂ emissions using non-fossil fuel energy certificates received for generating solar electricity and by switching to renewable energy for our head office building, which also houses our Group companies. CO₂ emission intensity also continued to decrease.

*1 Scope 1: Direct emissions from the use of fuel for company vehicles, natural gas, etc. Scope 2: Indirect emissions from the use of purchased electricity, etc.
*2 Covers Fuyo General Lease and consolidated subsidiaries (To see all companies covered, please refer to footnote 5 on p.44)
*3 Up to fiscal 2020, Scope 2 emissions were calculated based on standard emission factors, but from fiscal 2021 onward, they are calculated based on emissions factors after adjustment. Results for past years have been revised accordingly.



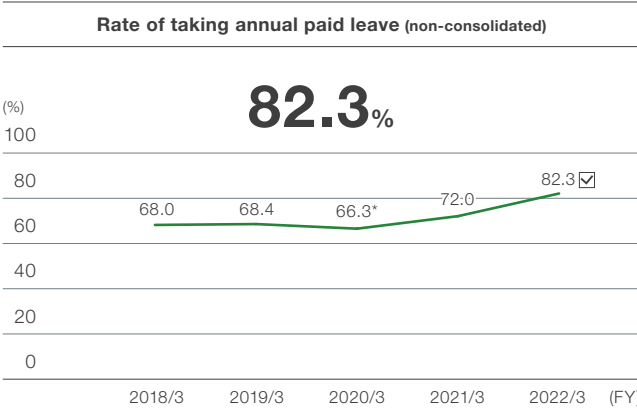
We have positioned empowering women in the workplace as an important management issue and in fiscal 2021, we advanced initiatives to enable women to fully demonstrate their capabilities, such as informal exchanges with executives.

*1 Regarding the result for fiscal 2019, we revised human resources systems in July 2019. This included reclassifying senior leaders (a position equivalent to the position of section chief) as managers. As a result, the number and percentage of female employees in management positions increased year on year.
*2 Until Integrated Report 2021, the results for fiscal 2019 and 2020 included reemployed workers, but in this year's report, the figures do not include reemployed workers.



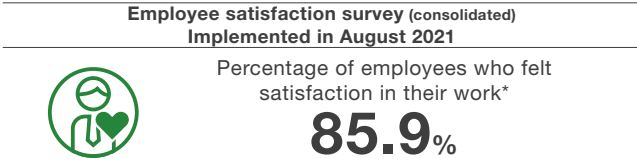
The renewable energy business is making steady progress. In fiscal 2021, in Japan, we expanded efforts focused on solar and wind power in particular, as well as hydro, biomass, and thermal power generation, and overseas, we joined a solar power generation business in the U.S. Total output was 318 MW.

* Figure covers Group businesses and partner businesses adjusted in accordance with equity investment share



We aim to provide workplaces that take employees' health and lifestyles into account and that can accommodate diverse work styles and we are working to make improvements that will facilitate more efficient and productive ways of working.

* Due to restrictions on the number of employees coming to work accompanying the spread of COVID-19, actual data on paid leave for eight Fuyo General Lease (USA) Inc. employees is not included.



* 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

**CSV
1**
Energy & Environment

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

Helping to Achieve a Decarbonized Society by Resolving Social Issues through the Energy & Environment Business

Managing Executive Officer
Miki Sasaki

Growth Strategies

2030
Goals

- Serve as a global company that helps give rise to a decarbonized society by engaging in energy-related business domestically and overseas
- Serve as a frontrunner that contributes to resolving environmental issues in breaking ground in the new Energy & Environment business domain

**Fuyo
Shared Value
2026**

We seek to help resolve social issues and contribute to decarbonization with respect to society overall and our customers by actively promoting energy conservation, renewable energy, and newly created forms of energy going forward.

Fuyo Shared Value 2026 Strategies for Achieving Our Goals

01

¥300.0 billion investment in promoting decarbonization

We aim to invest a cumulative total of ¥300.0 billion over the five years of the medium-term management plan in the Energy & Environment domain in helping to achieve a decarbonized society particularly with respect to renewable energy and energy conservation.

02

Expansion of renewable energy supply

We will strive to expand the supply of renewable energy available to society by promoting renewable energy development and renewable energy generation business on a global scale through coordination with strategic partners both in Japan and overseas. In so doing, we aim to contribute to climate change initiatives targeting 1,000 MW of renewable energy power generation capacity.

03

Challenges in new domains

We will take on challenges enlisting our new business model geared to seeking expansion and creation amid structural transformation in the energy industry. This will involve initiatives that include developing the storage battery business and participating in the supply-demand adjustment market.

TOPICS

TOPIC

1

Participating in Offshore Wind Power Generation Project Overseas

At the end of May 2022, the Company became involved in an offshore wind power generation project in the United Kingdom for the first time through investment in the “Equitix MA 21 LP” investment fund targeting offshore wind farm projects in the United Kingdom.

Our participation in the UK offshore wind power generation business through investment in the fund enables us to gain expertise in terms of the latest industry trends and the offshore wind power generation business in the United Kingdom. This in turn makes it possible for us to help bring about development of the energy industry, which is likely to

encounter major changes going forward, and contribute to achieving a decarbonized society.



TOPIC

2

Participating in Large Power Grid Storage Battery Project Overseas

The Company has taken part in a project involving large storage batteries for an approximately 100 MW power grid in the United Kingdom, led by Nippon Koei Energy Europe B.V., a wholly owned subsidiary of Japan's largest general construction consultancy Nippon Koei Co., Ltd.

The project will contribute to power grid stabilization by providing the power grid operator with power grid stabilization services using storage batteries in connecting to the power transmission and distribution network operated by National Grid, a major power transmission company in the United Kingdom.

In addition to investing in the project, the Company will

engage in financing as a senior lender, which will involve arranging project finance using the operating revenue generated by the large power grid storage battery project as the source of repayment. This constitutes the first time the Company has ever taken part in a large storage battery project.

In Japan as well, we will engage in initiatives looking toward the successively expanding supply-demand adjustment market as we continue to extend our business domain in conjunction with our alliance partners, drawing on knowledge we gain through our participation in the project under the leadership of Nippon Koei, which has an extensive track record.

TOPIC

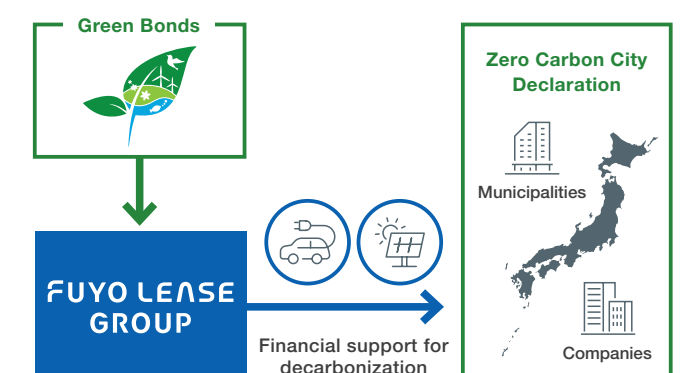
3

Facilitating Decarbonization of Companies and Other Organizations in the Zero Carbon City

In 2020, we launched the “Fuyo Zero Carbon City Support Program” to facilitate decarbonization efforts of municipalities that serve as zero-carbon cities in having declared their intent to achieve “net zero CO₂ emissions by 2050.” Thus far, our zero carbon city support program has been used by customers representing more than 250 organizations located in 31 prefectures and other municipalities throughout Japan.

We have been making use of green bonds and other sources of funds raised by the Company to provide financial support to customers who are introducing properties that contribute to renewable energy and energy conservation. Moreover, we have been taking a multifaceted approach to addressing climate change also by contributing the equivalent of 0.2% the value of

contracts jointly with our customers to public interest incorporated foundations, NPOs, and other such entities.





CSV
2
Circular Economy

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION

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

Managing Executive Officer
Hiroaki Ando

Growth Strategies

2030
Goals

- Serve as a Circular Economy infrastructure companies that transcends the leasing business
- Contribute to achievement of Japan as a recycling-oriented nation through our Circular Economy business

Fuyo
Shared Value
2026

We believe that “the leasing business connects the forward logistics and reverse logistics value chains of resources and is a core domain for the realization of the circular economy.” Given that the notion of achieving a circular economy approach hinges on building various networks, we create opportunities for customers to readily take part in resource recycling through our leasing network. We seek to engage in Creating Shared Value (CSV) business practices by creating new value through a circular economy approach.

Fuyo Shared Value 2026 Strategies for Achieving Our Goals

01

100% reuse and recycling of lease assets upon its return

We aim to achieve 100% reuse and recycling of lease assets returned to the Company's business locations in order to promote resource recycling initiatives through our leasing business. With the aim of achieving advanced resource recycling, we also engage in efforts that involve maintaining various forms of infrastructure related to reuse and recycling and developing channels for resource recovery.

02

100% recycling of waste plastics

Waste plastics constitute one form of waste that adversely affects society given the substantial emissions volume attributable to such waste and difficulty in recycling it. Thermal recovery (conversion to fuel) serves as the primary method of recycling such waste in Japan, but the method poses cause for concern given that it is not regarded as means of recycling under global standards because it yields CO₂ emissions during the combustion phase. To achieve a 100% recycling rate of waste plastic from returned properties through "material recycling" and "chemical recycling, we repeatedly perform proof-of-concept testing on a daily basis.

TOPICS

Left to right

Yasushi Mizuta, Executive Officer and General Manager of Circular Economy Promotion Division
Yumiko Yoshihara, President & Chief Executive Officer, FGL LeaseUp Business Service Co., Ltd.
Takashi Nakamura, President & Chief Executive Officer, FGL Circular Network Co., Ltd.



TOPIC

1

Launch of New Organization to Help Achieve a Circular Economy Approach

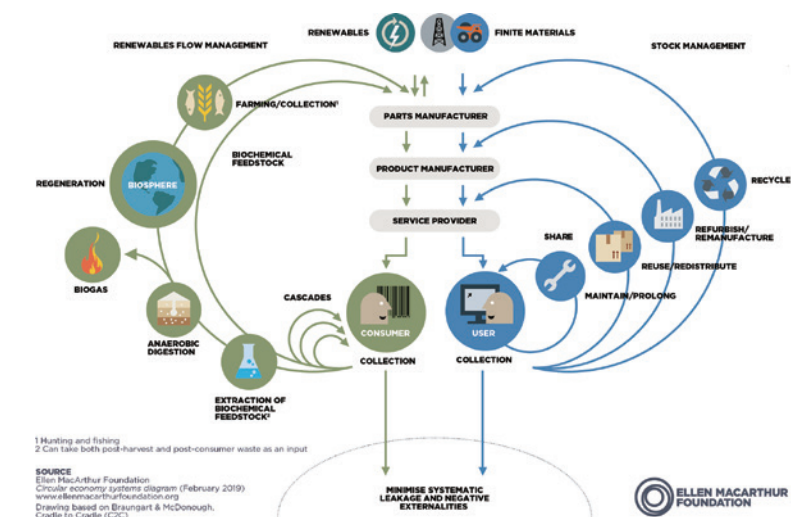
A circular economy is an economic system whereby the generation of waste is minimized by preserving and maintaining the value of products and resources for as long as possible. We are accordingly building a new business model geared to enabling a circular economy approach through our leasing business, serving as a leasing company that handles various types of tangible property.

In April 2022, the Fuyo Lease Group substantially restructured the organization with the aim of further accelerating its Circular Economy initiatives. This involved launches of the Circular Economy Promotion Division to take on the planning function of the head office, FGL LeaseUp Business Service Co., Ltd. for the purpose of promoting advancement of lease expiration affairs and resource recovery, and FGL Circular Network Co., Ltd. as a functional subsidiary responsible for our Circular Economy operations.

The Fuyo Lease Group will work in conjunction with the three units in carrying out our Circular Economy business and creating new value.

Copyright © Ellen MacArthur Foundation, (Circular economy system diagram, 2019)

Circular Economy Butterfly Diagram



TOPIC

2

Providing Services That Enable Customers to Participate in the Circular Economy through Leasing

The notion of the circular economy is often discussed from a corporate social responsibility perspective and is still not often talked about in terms of serving as a business. Commercialization hinges on creating mechanisms for promoting resource circulation and simultaneously producing economic benefits. Fuyo Lease Group seeks to achieve extended product life and better resource recycling, which are cornerstones of its Circular Economy business. This will involve prompting more widespread availability of mechanisms for leases with return conditions (return conditions that take effect upon lease expiration). Specifically, we are developing and expanding our range of lease products (lifecycle management services) encompassing services under contract involving lifecycle management (LCM) of repair, reuse, and recycling.

Although it tends to be difficult for a company to engage in the circular economy on its own, our customers are able to

take part in product lifecycle management aligned with Circular Economy aims by using such lease products. We will encourage our customers to use such services given that they are highly beneficial to society.

First, we have launched our PC Lifecycle Management (PC-LCM) Service equipped with such features with respect to personal computer operations. Going forward, we will consider the option of more widely providing the service with respect to applications that include forklifts and medical equipment. We are enlisting the cooperation of our customers in making steady progress with respect to developing infrastructure and building networks for achieving a circular economy approach.



CSV
4

Mobility Business

11 SUSTAINABLE CITIES AND COMMUNITIES

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

Managing Executive Officer
Atsushi Mizuguchi

Growth Strategies

2030
Goals

- A mobility solutions provider that solves social issues, including climate change issues, in the areas of general vehicles and logistics

Fuyo
Shared Value
2026

In the general vehicles area, we will contribute to solving social issues, including climate change issues, by promoting the introduction of electric vehicles (EV) and fuel cell vehicles (FCV), which are expected to rapidly become widely used, and by realizing social application of technological innovations such as CASE and MaaS.

In the logistics area, we will utilize Group synergies to provide solutions for a wide variety of issues facing customers, including the need for more efficient distribution accompanying increases in cargo volumes, as well as personnel shortages.

Fuyo Shared Value 2026 Strategies for Achieving Our Goals

01

Electrification of general vehicles and advancement of next-generation mobility

In addition to introducing EV leases, we will also provide one-stop EV services that offer total support for addressing the various management and operational issues that accompany these leases. This will encourage customers to choose EV for their lease vehicles. We will contribute to the realization of a decarbonized society by aiming to have EV and FCV account for 30% of the operating assets (vehicles) owned by Fuyo Auto Lease by the end of fiscal 2026. We will also actively engage the next-generation mobility field, which includes autonomous driving, by advancing the realization of next-generation transportation options together with partner companies.

02

Total support for the logistics industry

We will leverage the transportation and logistics industry knowledge possessed by YAMATO LEASE to advance various initiatives, including providing diverse support concerning the remedying of long working hours for drivers and promotion of workstyle reforms, and addressing customer's business succession needs. We will also contribute to solving logistics industry issues by providing consulting services covering the building of new warehouses and the installation of logistics equipment during new renovations of existing warehouses, as well as various financing schemes.

03

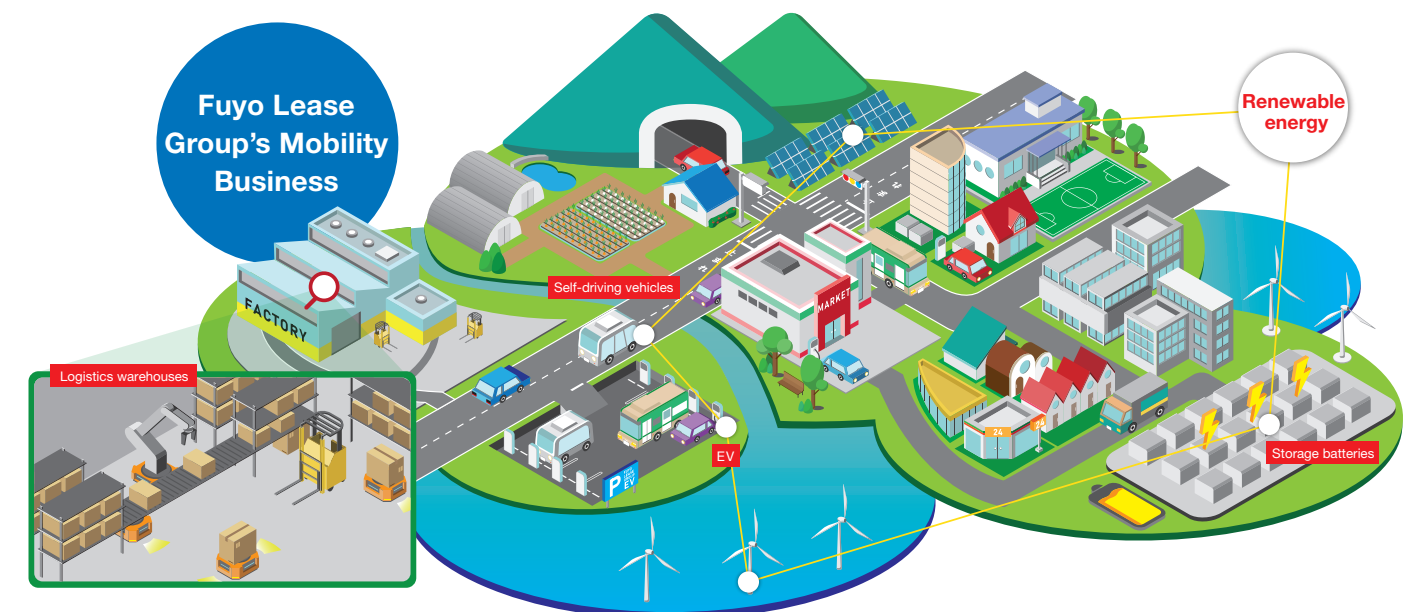
Business collaboration with the Yamato Group

We are working through YAMATO LEASE to establish a business collaboration with the Yamato Group. This will include leveraging our expertise to develop and deliver a range of solutions to a wide range of supply chain issues.



Left to right

Yoshinobu Nagano, President & Chief Executive Officer, Fuyo Auto Lease Co., Ltd.
Hirotooshi Tadokoro, General Manager of Mobility Business Promotion Division
Naomi Ogata, President & Chief Executive Officer, YAMATO LEASE CO., LTD.

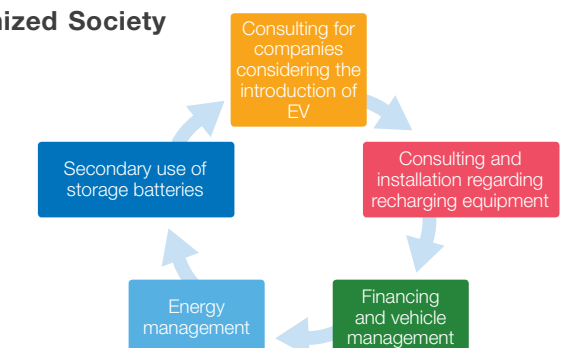


TOPICS

TOPIC

1 Contributing to the Realization of Decarbonized Society Solving social issues associated with EV

When a company decides to introduce EV, it has to address a variety of issues, from the lifecycle management of its current gasoline-based vehicles to the establishment of recharging infrastructure, review of power supply agreements, and energy management. We are working with partner companies to establish a framework for providing one-stop solutions to these diverse issues (one-stop EV services), with the aim of supporting companies that want to introduce EV.



TOPIC

2 Autonomous Driving Participating in three proof-of-concept tests

Japan is seeing changes in its social structure—including a declining birthrate, aging population and the concentration of population in urban areas— which is leading to 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 and in order to facilitate its early implementation, in June 2021, the Group entered into a business alliance with MACNICA, Inc. to advance social applications of autonomous driving. Since

then, we have participated in proof-of-concept tests that have trialed different applications. These were 1) the testing of “Healthcare MaaS” at Shonan Health Innovation Park, 2) the testing of a self-driving bus service at Mibu Highway Park (part of Tochigi Prefecture's ABC Project), and 3) the second round of the municipal testing of next-generation mobility in Yokkaichi, Mie Prefecture, which aimed to test new transportation applications. Going forward, we will continue to deepen our relationships with MACNICA and other partner companies to contribute to the implementation of autonomous driving through self-driving testing programs.


**CSV
5**

Medical & Welfare



Contributing to Solving the Issues of Both Businesses and Society Through Support for Medical and Nursing Care Providers and Dispensing Pharmacies

Growth Strategies

 2030
Goals

- A company that offers solutions to the management issues faced by businesses engaged in the health market of a super-aged society
- Provision of new services that address changes in the business environment driven by the advancement of DX in the healthcare field

**Fuyo
Shared Value
2026**

In addition to management issues such as reduced income from medical practices, labor shortages, and a lack of successors, the 2025 problem* is expected to make medical and welfare needs even greater and more complex. We will contribute to businesses in the medical and welfare market, such as medical and nursing care providers and pharmacists, who are facing these challenges. For businesses with business restructuring and succession needs, we will provide financing services in collaboration with regional financial institutions and professional consulting companies, as well as solutions that leverage the various functions possessed by our Group companies.

Fuyo Shared Value 2026 Strategies for Achieving Our Goals

01

Providing services tailored to a super-aged society

Responding to the super-aging of society is an urgent issue and we are developing partnerships with nursing care providers to support the creation of 1,000 new rooms at elderly care facilities over a five-year period. We are also working with various alliance partners to expand initiatives in related business areas.

02

Supporting the enhancement of regional healthcare and welfare

We are addressing the management issues facing medical and nursing care providers and dispensing pharmacies, such as opening or closing hospitals, reorganizing and restructuring, business succession, and M&A, by establishing a healthcare fund and providing solutions that include financing for hospital real estate and financing for business restructuring and succession. We are also engaging in the medical DX field, including anticipated growth areas such as remote healthcare, by leveraging synergies between WorkVision and startups we have invested in to support the enhancement of essential regional medical and welfare providers.

03

Providing medical and nursing care businesses with useful information

We have established Fuyo Mediwell Support, a Group-wide website that provides clinic (medical and dental) and nursing care provider customers with a wide range of information that is useful for solving management issues. We also offer specific solutions such as factoring for medical and nursing care receivables by Accretive, financial support for business launches and building leases by Sharp Finance, and BPO services from various Group companies.

*Various challenges that are expected to manifest in 2025, when the baby boomer generation born between 1947 and 1949 reach the latter-stage elderly age of 75 and above. These challenges include a rapid increase in social security costs and shortages of healthcare and nursing care personnel and facilities.

TOPICS

Left to right

Shuji Furuta, Representative Director, FUJITA Co., Ltd.
Eiki Koseki, General Manager of Healthcare Business Promotion Division
Takeshi Sugahara, President & Chief Executive Officer, Accretive Co., Ltd.



TOPIC

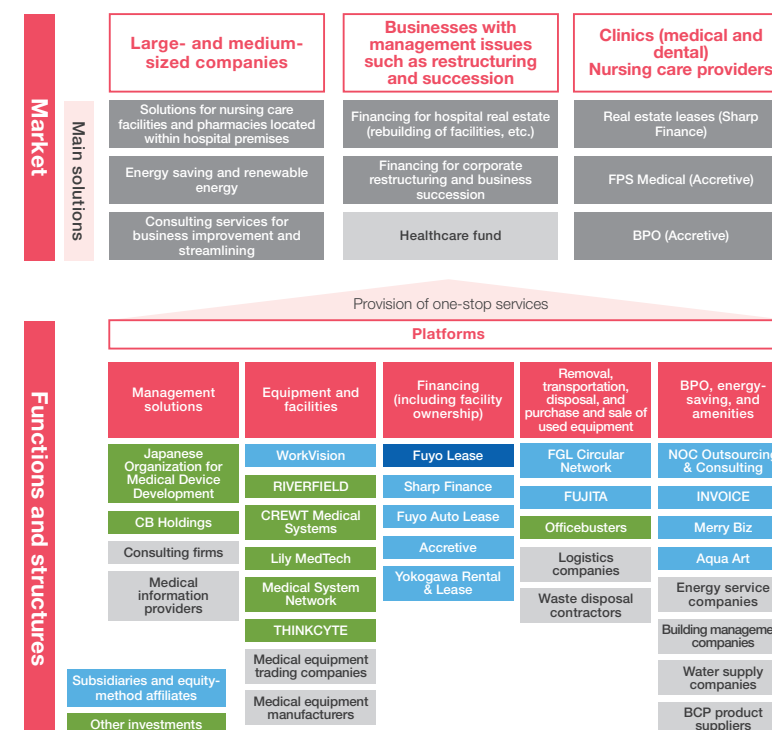
1

Expanding the Fuyo Lease Platform Concept

We are working on expanding the Fuyo Lease Platform to respond to the various management challenges facing medical and nursing care providers and dispensing pharmacies with one-stop solutions.

Up to now, we have been bringing companies with strengths in the medical field into the Group, including Accretive, which carries out factoring for medical and nursing care receivables, and FUJITA, which specializes in buying and removing second-hand medical equipment. We have also been growing business collaborations in new business areas with partners such as CB Holdings, which carries out M&A operations for medical businesses and dispensing pharmacies, RIVERFIELD, a joint academic-industrial joint venture company originating from a university, and Lily MedTech.

Going forward, we will continue to contribute to solving various issues by enhancing the platforms' various functions to deliver solutions covering areas such as consulting on business succession and support for hospital business restructuring, as well as the financing needed to establish and maintain elderly care facilities.



TOPIC

2

Launch of Fuyo Mediwell Support

Clinics (medical and dental) and nursing care providers face a wide range of challenges, including securing personnel such as doctors, nurses, and nursing care staff, implementing work style reforms, and coping with the COVID-19 pandemic. Through Fuyo Mediwell Support, a Group-wide website, we provide these clinics and nursing care providers with a wide range of specialized information tailored to diverse management environments and challenges, as well as various services. In this way, we are providing support for solving management issues, including by enhancing the productivity of medical institutions and nursing care providers, as well as contributing to the realization of sustainable regional healthcare and nursing care frameworks. We are also implementing CSV by working with partner companies on the creation of joint content that leverages both parties' expertise to provide added-value information that goes beyond the Group's knowledge base.

Launch of a Group-wide website in the medical and welfare business area
Implementation of efficient inbound marketing



Fuyo Mediwell Support: www.fuyo-mediwell-support.jp/

Real Estate



Fuyo Lease Group offer 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, as well as Real Estate Financing, in which we have a strong track record in loans, investments, and acquiring trust beneficiary rights.

Growth Strategies

2030
Goals

- Stable profit growth realized by enhancing profitability through the differentiation and sophistication of the real estate business
- Sustainable growth by providing strategic solutions to social issues and CRE needs*

**Fuyo
Shared Value
2026**

Factors such as the weakening of the yen, the inflow of investment money from overseas, and a steep rise in construction costs are making the environment around the real estate business increasingly fierce. Within this, we are working to differentiate the business and make it more advanced in order to realize stable profit growth without increasing assets. We will achieve this through the following measures: 1) Further expand and deepen efforts in the business domain, 2) strengthen relationships with partner companies, 3) engage in asset turnover-type business and effectively utilize assets by advancing asset liquidations, and 4) make Group-led lease and financing projects the norm by strengthening arrangement functions and developing new schemes and domains. We will also work to implement CSV, including by dealing with environmentally friendly real estate that contributes to the realization of a decarbonized society.

Fuyo Shared Value 2026 Strategies for Achieving Our Goals

01

Further expand and deepen efforts in the business domain

We will develop new areas and schemes within the real estate business, such as adaption to renewable energy and energy saving, logistics facility reorganization, optimized location of data centers, redevelopment business, and project formation premised on liquidation, as well as strengthen the exploration of new products through cooperation with dedicated divisions within the Company to further expand and deepen efforts within the business domain.

02

Strengthen relationships with partner companies

We will grow collaborative relationships with partner companies by expanding and deepening efforts in the business domain. Additionally, we will add new alliance partners, such as regional financial institutions, and collaborate with asset management companies to further enhance our pipeline.

03

Implement CSV

While implementing the strategies to the left, we will also contribute to the realization of a prosperous society by reusing leased assets after their leases expire, utilizing sustainable operating assets, handling renovations, advancing initiatives involving environmentally friendly real estate, effectively using idle real estate, handling medical, nursing care, childcare, and educational facilities, handling social infrastructure, and advancing PPP and PFI initiatives.

TOPIC

SEVEN PARK AMAMI

Using our building lease scheme, we collaborated with the city of Matsubara in Osaka Prefecture to open a mixed-use complex combining commerce and entertainment that aims to provide convenience and communicate the appeal of the local area. We also introduced advanced CO₂ emissions-cutting equipment and a biogas power generation system among other efforts to make it into an environmentally friendly shopping center. As a result, it has been selected as a Sustainable Building Leadership Project (as a CO₂ emissions reduction leader) under a subsidy program by the Ministry of Land, Infrastructure, Transport and Tourism.



* Needs and issues related to corporate value enhancing strategies that effectively use the client's real estate, such as finding effective uses for idle land and making assets into off-balance sheet items through sales and leasebacks.

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.

Growth Strategies

2030
Goals

- Keeping aircraft operating leases as the core of our business, we will expand our product lineup through alliances in peripheral businesses and other new fields and grow the resulting synergistic effects
- We will contribute to solving social issues by actively engaging new technologies related to aircraft, such as sustainable aviation fuels (SAF) and air mobility

**Fuyo
Shared Value
2026**

In our aircraft operating lease business, we established a new U.S. business location in June 2022 and going forward, we will further strengthen the implementation framework to increase our aircraft portfolio to around 60 aircraft by the final year of the medium-term management plan. We aim to both record stable profits and maintain a healthy financial position by advancing asset turnover-type business. At the same time, we will aim to enhance the lineup of the business through methods such as alliances and investments in areas that are peripheral to aviation, and to grow the resulting synergistic effects. We will also actively engage new technological fields that contribute to solving social issues, such as sustainable aviation fuels (SAF) and air mobility.

Fuyo Shared Value 2026 Strategies for Achieving Our Goals

01

Advancing asset turnover-type business

We will advance asset turnover-type business by flexibly selling our aircraft under operating leases in accordance with the aircraft market cycle. Our strategy is to realize a balance between stable lease revenues and gains from sales of aircraft to minimize risk and maintain a healthy portfolio.

02

Developing and selling operating lease products

In addition to JOLCO (Japanese Operating Lease with Call Option) and JOL (Japanese Operating Lease), we are working to develop and sell new operating lease products. In April 2022, we established the Aircraft Marketing Office to strengthen sales activities targeting investors.

03

Strengthening engagement in areas that are peripheral to aviation

We are expanding the business domain by investing in new areas, including peripheral areas such as spare engine leases and a part out (sales of parts) business, and in venture companies that are developing electric and hydrogen technologies. Going forward, we will enhance our product lineup in accordance with aircraft lifecycles and strengthen engagement of new technological fields.

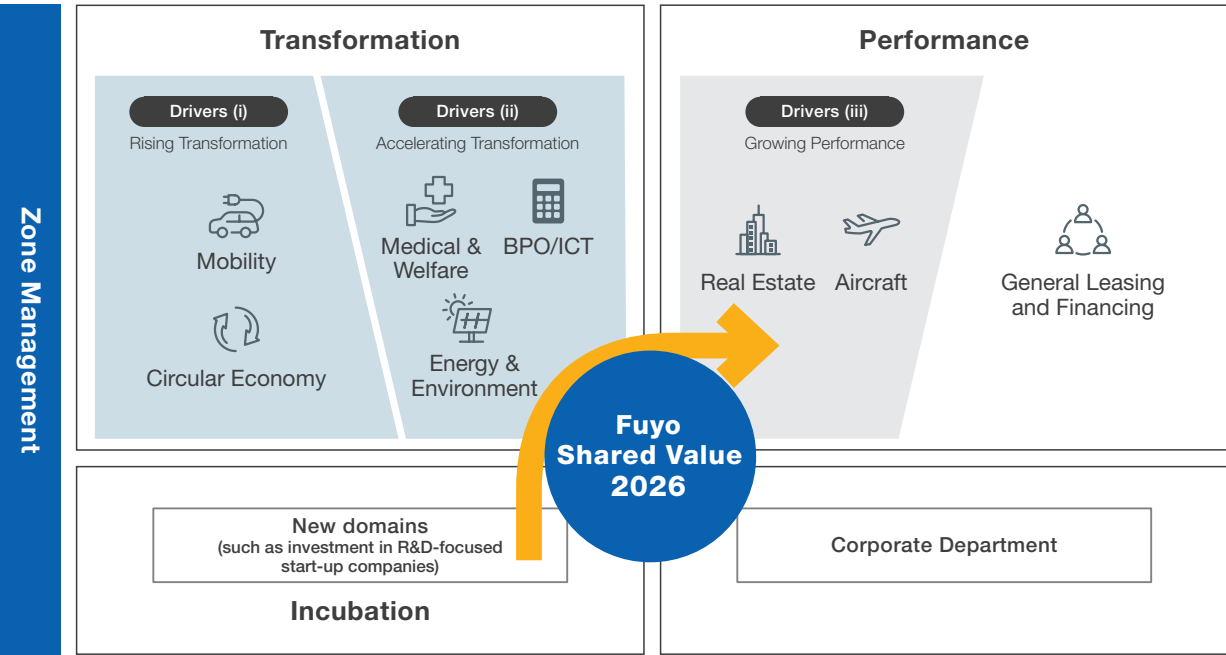
TOPIC

Conclusion of a lease contract for freighters (dedicated cargo flights) with Yamato Transport

We have concluded a lease contract for freighters (dedicated cargo flights) with the Yamato Transport Company, Ltd. This project is our first passenger-to-freighter (P2F) conversion business, which involves purchasing passenger aircraft, converting them into freighter aircraft, and then leasing them. Our objectives for this business are to accumulate knowledge in peripheral fields to aviation that can be used to expand our efforts in this business domain, and to contribute to the further development of the logistics industry by diversifying transportation functions.



Business Segments Overview



Rising Transformation

Mobility Business

Main Services

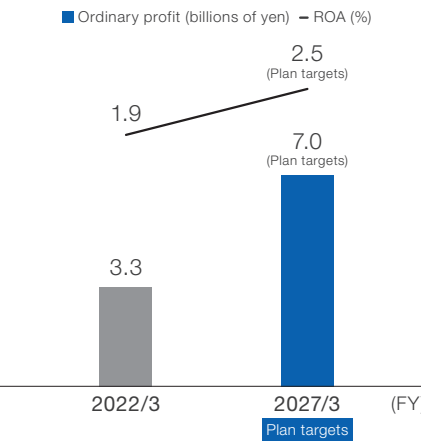
Auto leases
One-stop EV services
Leasing of logistics and material handling equipment
Management support solutions for transportation companies

Overview of FY2021 and Outlook

In the general vehicles sector, we are the only leasing company participating in proof-of-concept tests of social applications for autonomous driving technology by providing self-driving vehicles, and we are also working with partner companies to build a one-stop platform of services that can provide solutions to issues hindering the widespread use of EV as part of efforts to realize a decarbonized society. Going forward, we will work to strengthen and expand these initiatives.

In the logistics sector, we recognize that the 2024 problem is approaching, so we have been enhancing our lineup of services that contribute solutions to the various issues facing logistics companies. These efforts have been centered on the expertise provided by YAMATO LEASE, which has been integrated into the Group, and our overseas business. In the new medium-term management plan, we will expand the business with a view to solving social issues on a global scale.

Ordinary Profit and ROA in the Mobility Business



Circular Economy

Main Services

Used asset buying service
Used PC buying service
Residual value-set-type leases

Overview of FY2021 and Outlook

In July 2021, we joined the Japan Circular Economy Partnership (J-CEP) as a supervising company and in September, we joined the Japan Partnership for Circular Economy (J4CE) led by the Ministry of the Environment, the Ministry of Economy, Trade and Industry, and the Japanese Business Federation (Keidanren). As a member, we have carried out activities that deepen our knowledge, including information sharing and participating in resource recycling trials. From this fiscal year, we are advancing the full-scale building of the various types of infrastructure needed to realize a circular economy and we are working to advance the reuse and recycling of returned items as a non-financial target in our new medium-term management plan. Through these initiatives, we will create easy opportunities for customers to participate in the circular economy through leases.

Accelerating Transformation

Energy & Environment

Main Services

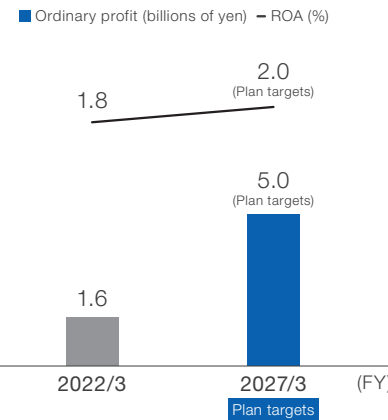
Green electricity supply (PPA) services
ESCO business
Energy-saving facilities / subsidized leases
Renewable energy businesses financing
Agribusiness

Overview of FY2021 and Outlook

In fiscal 2021, we actively expanded overseas, including joining a solar power generation business in Texas, USA, a PPA business in Thailand, and an electric power supply and investing in a demand adjustment business in the UK. In Japan, we accelerated investment that contributes to decarbonization, including starting construction of a new solar power plant at a subsidiary, investing in renewable energy-related funds, and concluding multiple PPA agreements.

Going forward, we will expand the renewable energy business globally and launch new businesses in the secondary energy sector (such as storage battery and electric power supply and demand adjustment businesses).

Ordinary Profit and ROA in the Energy & Environment Business



BPO/ICT

Main Services

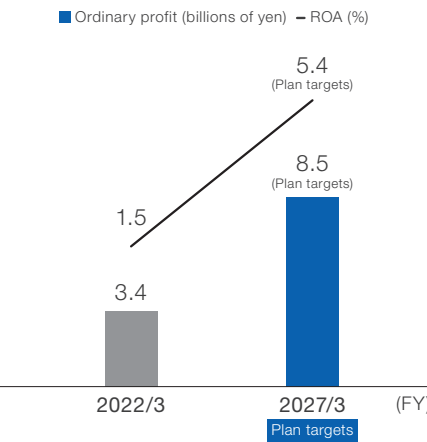
Business process consulting
Integrated billing (communications and public utility charges)
PC-LCM services
ICT outsourcing

Overview of FY2021 and Outlook

In fiscal 2021, efforts to offer solutions through alliances included releasing "a total solution for accounting and invoicing" in partnership with NTT Communications Corporation and NOC Outsourcing & Consulting Inc. in the BPO sector, and Dynabook Package in partnership with Dynabook Inc. in the ICT sector.

The decline of the working-age population in recent years has made enhancing productivity and advancing DX into extremely pressing issues. Following the integration of WorkVision into the Group, we will work to solve the management issues facing customers by further expanding our business process services (BPS) that take an "outsourcing and DX" approach to business processes.

Ordinary Profit and ROA in the BPO/ICT Business



Medical & Welfare

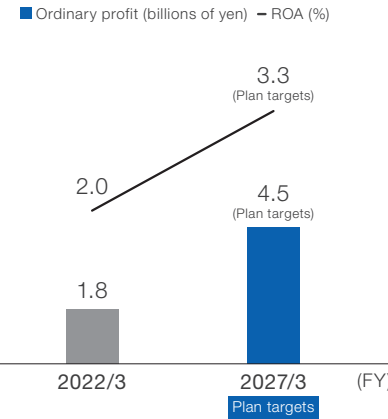
Main Services

Medical and nursing care equipment and building leases
Medical and nursing care receivables factoring
Business succession financing
Purchase and disposal of used medical equipment
Administrative consulting and BPO for hospitals and nursing care facilities

Overview of FY2021 and Outlook

We successfully closed agreements based on proposals that meet customers' needs, including for the establishment of a pharmacy within the premises of a large hospital and consulting for hospital business process improvements. Our used medical equipment-related business, which is centered on CT equipment, saw a decline in demand as a reaction to COVID-19 relief subsidies handed out in fiscal 2020, so it concentrated on capturing the most profitable orders. Within an environment where the government continued to provide businesses with monetary subsidies due to the pandemic, the medical and nursing care receivables factoring business was able to realize year on year growth in the balance of receivables. Toward the end of the previous fiscal year, we established Fuyo Mediwell Support, a dedicated website for healthcare and nursing care business operators. Going forward, we will provide these business operators with useful information and deliver various types of support.

Ordinary Profit and ROA in the Medical & Welfare Business

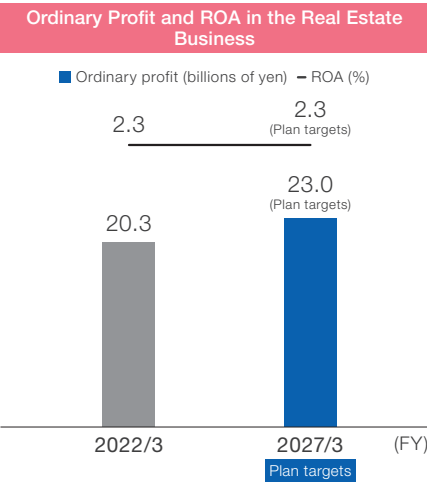


Growing Performance

Real Estate

Overview of FY2021 and Outlook

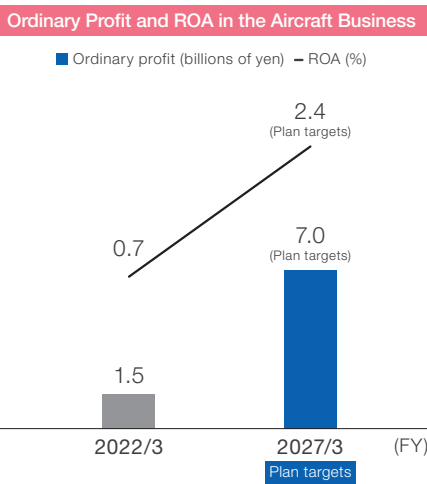
In fiscal 2021, we established the Real Estate Solution Business Division and advanced development related to real estate in new sectors and business areas, and we also carried out activities covering a wide range of assets, schemes, and domains. These included 1) developing a commercial facility in collaboration with the city of Matsubara in Osaka Prefecture to provide convenience and communicate the appeal of the local area, 2) investing in a private investment fund specializing in the ownership and operation of nursery schools with the aim of reducing childcare waiting lists, 3) participating in an ESG-friendly multi-family housing property development project through investment in U.S. real estate private investment fund, and 4) providing our first real estate leases in Taiwan. Going forward, we will continue to raise profitability by advancing and differentiating our real estate business through business domain expansion and the implementation of CSV.



Aircraft

Overview of FY2021 and Outlook

In fiscal 2021, in addition to purchasing three new aircraft for aircraft operating leases, we also sold three aircraft as part of portfolio management efforts. As a result, we currently possess 44 aircraft. Going forward, we will continue to build our fleet of aircraft while also advancing asset turnover-type business by flexibly selling a portion of owned aircraft for purposes including dispersing risk, so that we can achieve stable profits while also reducing market fluctuation risk. In addition to offering spare engine leases and operating a business for parting out decommissioned aircraft, we also worked on expanding the business domain to include peripheral areas, including entering the P2F business, which involves converting passenger aircraft into freighter aircraft.



New Domains and Incubation

We will thoroughly explore markets that might emerge in the future and potential customer issues and then advance M&A and capital and business alliances with companies that have unique technologies and expertise.

Investment Record	Investment Timing	Business Form	Partner	Description
BPO	Jan. 2017	Subsidiary	Accretive	Acquired the company, which mainly provides factoring business for medical and nursing care receivables, to strengthen BPO services.
	Jun. 2018	Investment	Merry Biz	Invested in the company, which provides the accounting administrative service Virtual accounting assistants".
	Oct. 2018	Subsidiary	INVOICE	Acquired the company, which provides integrated billing services, as a consolidated subsidiary to expand services that contribute to improving our clients' productivity.
	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 to accelerate the expansion of BPO services.
ICT	Jun. 2021	Investment	Hmcomm	Invested in the company, which provides voice recognition technology services and anomaly sound detection services that utilize AI.
	Oct. 2021	Subsidiary	WorkVision	Acquired the company, which provides a wide range of IT solutions, primarily cloud packages, and are integrating it into BPO services to build a framework for responding to increasingly advanced and complex customer needs.
Medical & Welfare	Aug. 2017	Investment	RIVERFIELD	Invested in the company, which develops robotic surgical assistant systems in Japan.
	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	Acquired the company, which is capable of providing one-stop services, including everything from the disposal to buying of used medical equipment, to enable the development of new products and services.
	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.
	Apr. 2020	Investment	THINKCYTE	Invested in the company, which conducts research and development for a next-generation cell isolation system using AI.
	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.
	Jun. 2022	Investment	JSH	Invested in the company, which provides employment support services for people with disabilities and at-home psychiatric healthcare services.
	Jun. 2018	Investment	Exergy Power Systems	Invested in the company, which develops and manufactures next-generation energy storage systems.
Energy & Environment	Mar. 2019	Investment	NExT-e Solutions	Invested in the company, which provides cutting-edge battery control devices and management systems.
	Feb. 2020	Investment	Girasol Energy	Invested in the company, which develops maintenance management platforms for photovoltaic power generation equipment.
	Oct. 2020	Investment	Tsubame BHB	Invested in the company, launched out of the Tokyo Institute of Technology, which is developing manufacturing technology for the distributed production of ammonia under low-temperature, low-pressure conditions.
	Jul. 2021	Investment	S-Solar Generation (Thailand) Co., Ltd.	Established a joint venture with the Thai subsidiary of Sharp Energy Solutions Corporation to sell electricity in Thailand under a PPA.
Mobility	Mar. 2018	Investment	TDF Group Inc.	Invested in the company, which operates a rental, leasing, sales, and dealership business for pickup trucks in North America.
	Jan. 2019	Investment	Pacific Rim Capital, Inc.	Invested in the company, which handles operating leases for material handling equipment in North America.
	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	Acquired the company, which mainly provides truck leasing and other financing services to transportation companies, to expand the business domains of logistics, transportation and used vehicles.
	Nov. 2020	Investment	A.L.I. Technologies	Invested in the company, which develops and is expanding an industrial drone services and air mobility business.
	Apr. 2021	Investment	3D Printing Corporation	Invested in the company, which provides various product services utilizing 3D printing technology.
	Aug. 2021	Investment	REXEV EV	Invested in the company, which is building car sharing and EV management systems.
	Jan. 2022	Investment	PLIC Corp., Ltd.	Invested in the company, which provides logistics solutions in Thailand, including a forklift rental service and consultation on the introduction of automated warehouse systems.
	Jul. 2022	Investment	Japan Wind Tunnel Manufacturing Inc.	Invested in the company, which manufactures and sells compact, low-cost wind tunnel testing equipment.
Aircraft	Aug. 2020	Investment	Airbus Ventures Fund III LP	Invested in this fund, established to invest in start-up companies with innovative technology in the aerospace field.
Other	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.
	May 2019	Investment	Synspective	Invested in the company, which offers one-stop solutions using satellite-based observation data.
	Dec. 2020	Investment	TELEXISTENCE	Invested in the company, which develops and is expanding a remote operated, artificial intelligence robot business.

CSV Promotion System

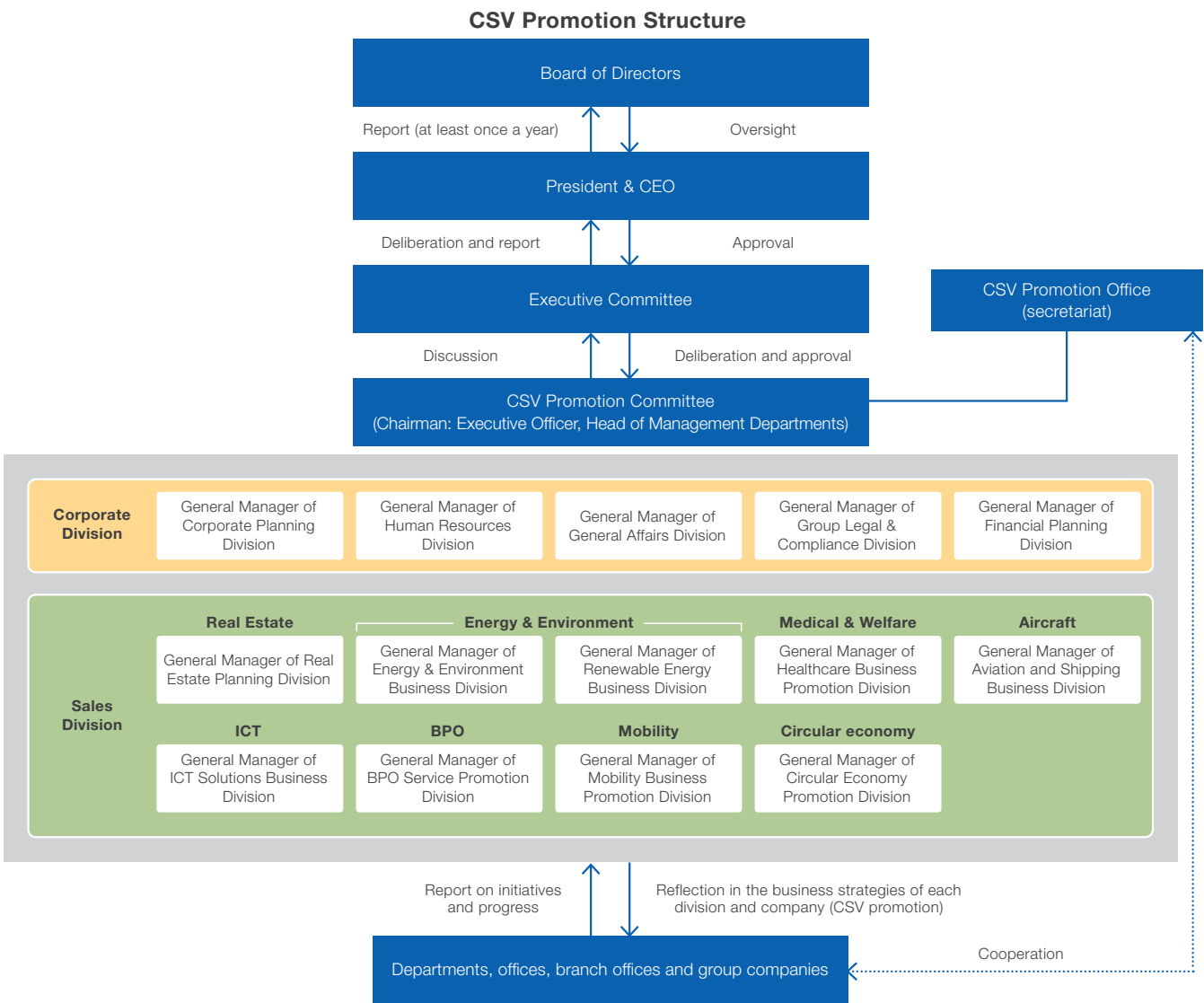
The Fuyo Lease Group will strive to meet the expectations of society and its stakeholders and to resolve social issues exemplified by the SDGs by helping build a sustainable society through its businesses, while working to achieve sustainable growth as a corporate group.

To that end, the Group has introduced the concept of CSV (creating shared value) into its management principles and strengthening CSV is a long-term strategy of the Group.

CSV Promotion System

To facilitate cross-functional efforts to promote CSV and sustainability, the Group established a CSV Promotion Committee in 2020. The members of the CSV Promotion Committee are heads of major departments in the Corporate Division and heads of departments responsible for each business domain. The results of discussions in the committee and matters reported to the committee are submitted to the

Executive Committee for discussion and reflected in strategies if approved by the Executive Committee. Policies on, and progress in, CSV for the overall Group are reported to the Board of Directors at least once a year to make CSV more effective. The Group has developed a basic policy on systems that support sustainable value creation, making clear its sustainability policy.



Major Matters Discussed in the CSV Promotion Committee

In addition to discussing and reporting matters important for the promotion of CSV, the CSV Promotion Committee produces non-financial targets and plans and monitors progress against those targets and plans. In fiscal 2021, the CSV Promotion Committee held three meetings. At the meetings, the development of a basic policy on systems that support sustainable value creation, progress against non-financial targets and environmental targets, and the setting of non-financial targets in the new Medium-term Management Plan, among other items, were discussed and reported.

A CSV Promotion Committee meeting



Major discussions and reports in fiscal 2021

- | | |
|-----|--|
| 2nd | Development of the value creation story
Organization of a set of material issues
Reports on progress against non-financial targets and environmental targets |
| 3rd | Development of a basic policy on systems that support sustainable value creation |
| 4th | Setting of non-financial targets in the new Medium-term Management Plan (Fuyo Shared Value 2026)
Review of progress against non-financial targets and environmental targets |

Understanding of CSV in the Group

To create shared value, all employees of the Group need to understand the concept of CSV, support the concept, and put it into practice. In fiscal 2020, Fuyo General Lease held a series of CSV training programs ("Let's CSV!") for all employees. In fiscal 2021, the Group held the series for all employees of the Group. In the series, all employees of the Group took an e-learning course and then participated in a "workshop to think about connections between your work and CSV." In the workshop, heads of departments, offices and branch offices acted as instructors. In the CSV training, employees became aware of what kinds of value they can provide to customers and communities through their work. Certain Group companies posted images of internal workshops on the intranet. Interest in CSV has increased in Group companies.

Images of a workshop at NOC were posted on the company intranet.



Investment in Human Resources

Basic Approach

The Fuyo Lease Group believes that people are its greatest asset and that it is important to respect each individual and their individuality and to enable them to work, feeling job satisfaction and perceiving the significance of work. We aspire to enable our employees to grow through their work and to live an emotionally and physically fulfilling life. We believe the Group will be able to achieve sustainable growth by facilitating the growth of each employee and enabling them to perform to the best of their talent and ability. The Group encourages all employees to think for themselves, act proactively, and to be an autonomous employee with a commitment to personal growth. The Group will actively

invest in human resources to cultivate “high value-added” human resources who will focus on CSV and facilitate sustainable growth.

Investing in human resources, the Group will focus on developing an organization and systems that will underpin sustainable value creation, particularly the diversification of business domains, the strategic development of human resources in response to advances in technology, diversity and inclusion, and health and productivity management. The Group aims to be a corporate group that supports each employee's endeavors and growth and that grows together with its employees.

Strategic human resources development



Fuyo General Lease believes that it is essential to cultivate human resources who can help address increasingly complex social issues, such as the realization of a carbon-free society, and that it needs to actively cultivate human resources with techniques that are very different from conventional approaches. The Company thus plans to increase human resource development expenses 300% during the period of the new Medium-term Management Plan (Fuyo Shared Value 2026).

In addition to training for acquiring knowledge about accounting, tax practice, and legal affairs that are necessary for leasing and finance and acquiring common business skills, including communication and thinking skills, we are expanding training programs intended to increase added value in individual business areas, including languages, digital transformation, and progressive finance. For language acquisition, we started for young employees a training program

where employees remotely cooperate with business persons overseas to do tasks.

To develop expertise in individual business areas, we have introduced a cafeteria plan in our self-development system. We annually grant self-development points equivalent to 300,000 yen maximum to mid-level employees, and they can choose from an extensive menu, including attending language school and computer school and participating in external seminars.

Non-financial KPI target

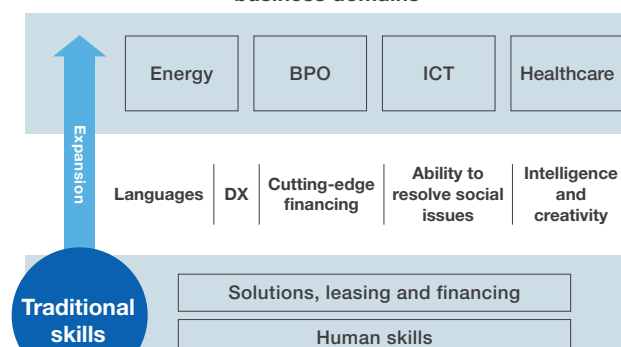
Human resource development-related expenses (non-consolidated)
Compared to FY2021

300%
(FY2026)

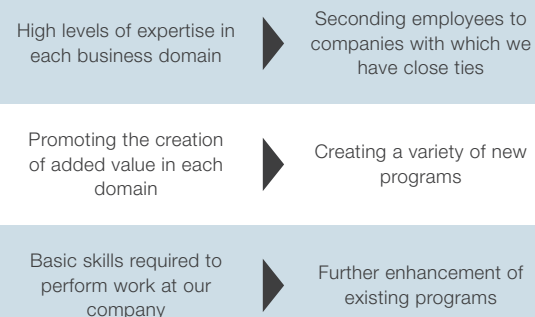
Intermittent investment and support for education and training

Continuous production of high-value-added human resources

Skills composition of human resources capable of responding to the diversification and sophistication of business domains



Strategic human resource development program



Diversity & Inclusion

Initiatives to Promote Diversity and Inclusion

Human Resources Division
General Manager, Diversity Planning & Promotion Office
Nami Tsujimoto



Promoting Diversity and Inclusion



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 and inclusion with the goal of creating a workplace where every employee in the Group can maximize their full potential, increase their expertise, and work comfortably and feel job satisfaction regardless of age, sex, nationality, sexual orientation, gender identity, race, ethnicity or disability.

To facilitate active participation for women, we strive to boost their motivation and create a corporate culture where they can participate by allowing female students have an internship, hiring more female students by expanding seminars at women's colleges, providing follow-up support to women on managerial career tracks, and providing women with opportunities to interact with executives and division heads and interact with many different role models at career lectures by female executives and meetings with them.

Thanks to these initiatives, the Company achieved Platinum Kurumin certification in fiscal 2017 and two-star

(second highest level) Eruboshi certification in fiscal 2021 from the Minister of Health, Labour and Welfare.

The Group also provides e-learning about LGBTQ and disabilities to all employees of the Group and provides group training to heads of departments and branch offices to promote understanding about those issues.

At the start of the new Medium-term Management Plan in April 2022, the Company set numerical targets to create a workplace where every employee can work comfortably and feel job satisfaction: a ratio of women in new graduates hired of 40%, a ratio of female managers of 35%, a ratio of annual paid leave taken of 90%, and a ratio of paternity leave taken of 100%. We will focus on further enhancing and strengthening the various measures we have taken to date.



Platinum Kurumin



Eruboshi Certification



An exchange meeting between officers and female employees



A career lecture by Yamato Lease President Naomi Ogata

Health and productivity management and work-life balance



The Group believes that providing a healthy and safe work environment where employees can work energetically will invigorate the organization and increase productivity.

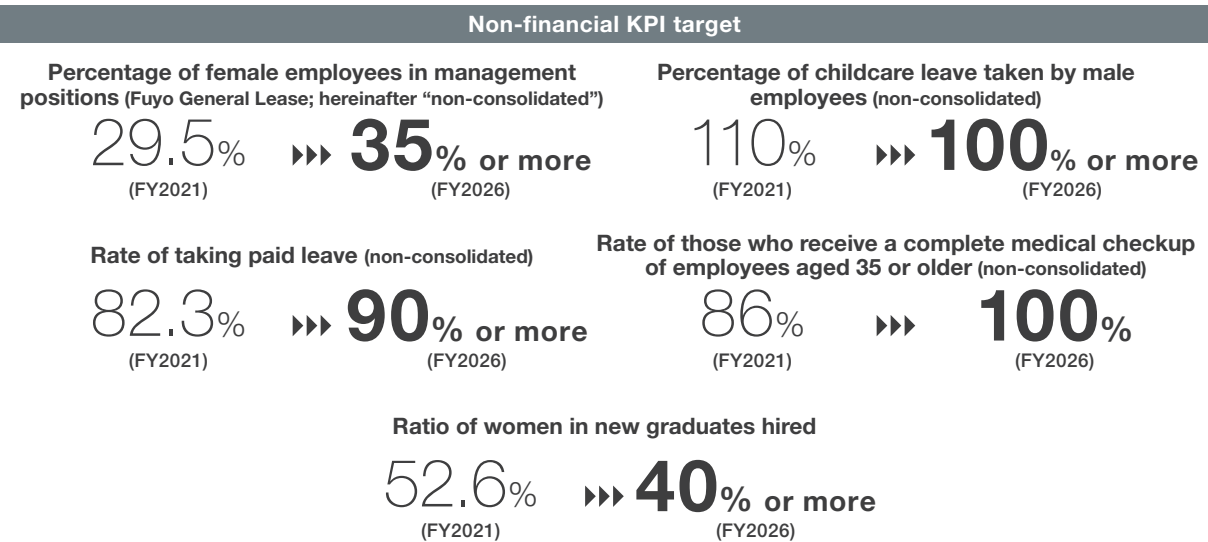
We consider investment in the health of our employees (efforts to maintain their health) and human resources development as investment in human capital. Consequently, we promote health and productivity management, considering it strategic health management from a management perspective.

We announced a Health Declaration in fiscal 2021. Considering employee disease prevention and early detection of disease a priority issue, we have lowered the age at which employees can receive a complete medical checkup with no out-of-pocket expenses from 40 to 35, and made receiving a complete medical checkup mandatory. Due to these and other initiatives, the Company has been certified as a 2022 Health and Productivity Management Outstanding Organization (large enterprise category).

We strive to build an employee-friendly working environment where all employees can autonomously strive to maintain a work-life balance and enhance the quality of both life and

work, maintaining and improving their health, expanding their knowledge, and pursuing personal development.

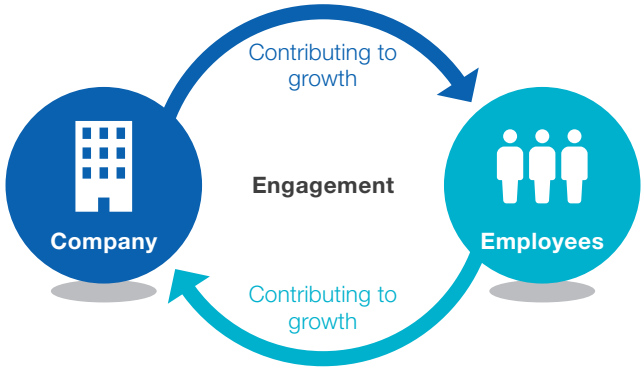
Systems to create an employee-friendly workplace include Refresh Days (each employee can designate one day every week when they can leave early) and flexible work hours that employees can choose (employees can flexibly choose a starting time and a closing time other than the usual time). These systems correct long working hours and create an environment that allows employees to work according to their own lifestyles, regardless of reasons such as childcare or nursing care. We have also introduced unique initiatives, including +Friday (Plus Friday) such as a half-day workday once a month on one of the Fridays of the month, and we encourage employees to take advantage of this policy.



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.

Considering increasing engagement to be important for creating social value and corporate value, we implemented the Job FA System to increase engagement through communication with employees. Meanwhile, we will expand systems and environments where older employees can actively participate.



Human Rights Policy



The Fuyo Lease Group addresses the “business and human rights” issue and it is one of the major initiatives in its CSV management.

We are aware that our business activities could have adverse effects on human rights. Considering that, we have adopted a human rights policy that makes clear our stance

as a company that respects human rights. Under the policy, the Fuyo Lease Group will contribute to realizing a society where human rights are respected in its business activities.

The policy was discussed at the Executive Committee, and the Board of Directors has passed a resolution supporting the policy.

1. Scope of application

This Policy applies to officers and employees of Fuyo Lease Group (including temporary employees and contract employees; collectively the “Employees”). We also expect that our customers, partner companies, and all other stakeholders of Fuyo Lease Group will respect this Policy.

2. Upholding international standards

Fuyo Lease Group will uphold international standards on human rights, such as the “International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights)” and the “ILO Declaration on Fundamental Principles and Rights at Work,” and will also fulfill our responsibility to respect human rights under the “Guiding Principles on Business and Human Rights” and “Children’s Rights and Business Principles.” In addition, Fuyo Lease has endorsed and signed the “United Nations Global Compact (UNGC).” We also support the UNGC’s 10 principles related to the 4 areas of “ensuring human rights,” “eliminating unfair labor,” “addressing environmental issues,” and “preventing corruption” and will continue striving to realize the principals.

3. Compliance with laws and regulations

Fuyo Lease Group complies with the laws and regulations applicable in each country and region where we conduct business activities. If the laws and regulations in a country or region differ from the human rights standards recognized internationally, we pursue means to respect internationally recognized human rights standards.

4. Human rights issues in business activities

- 1) Forced labor and child labor
Fuyo Lease Group does not tolerate forced labor or child labor or any form of modern slavery.
- 2) Discrimination
Fuyo Lease Group respects the diversity of individuals and all basic human rights. We do not engage in any action that violates human rights, and we do not tolerate discrimination based on race, religion, gender, age, nationality, sexual orientation, disability, or other factors.
- 3) Labor
Fuyo Lease Group respects the freedom of association and the right to collective bargaining that Employees hold in labor-management relations. We will protect labor rights, reduce excessive working

hours, and implement other necessary measures in accordance with applicable laws and regulations. We will establish a work environment where Employees can continue to work healthily, safely, and comfortably in an atmosphere of mutual respect without harassment or excessive work, and we will seek to create a corporate culture in which a diversity of personnel can thrive.

5. Human rights due diligence

Fuyo Lease Group recognizes the possibility that the business activities we conduct and the services we provide could potentially cause or contribute to an adverse impact on human rights or become linked to such an impact. Fuyo Lease Group will conduct appropriate human rights due diligence to identify and assess any actual or potential adverse impact on human rights in relation to our business activities and to prevent and mitigate any such impact.

6. Grievance Mechanisms and Remedies

Fuyo Lease Group will strive to establish a mechanism for receiving requests for consultation and reports regarding human rights and for remediating and rectifying such pertinent issues in order to deal with human rights issues in our business activities. If it is found that our business activities could potentially cause or contribute to any adverse impact on human rights, or if it becomes evident that our business activities are linked to such an impact, we will promptly take remedial measures and strive to remedy the issues.

7. Dialogues with stakeholders

Fuyo Lease Group recognizes the importance of understanding any adverse impacts on human rights from the perspective of the affected people and taking appropriate measures to correct them. We will seek to advance and improve measures for human rights through engagement and dialogue with stakeholders.

8. Education and training

Fuyo Lease Group will distribute this Policy to all Employees and provide continued training to ensure that everyone understands this Policy and can act in accordance with this Policy in their own individual duties.

9. Information disclosure

Fuyo Lease Group will disclose information on our website and via other appropriate means regarding the initiatives based on this Policy.

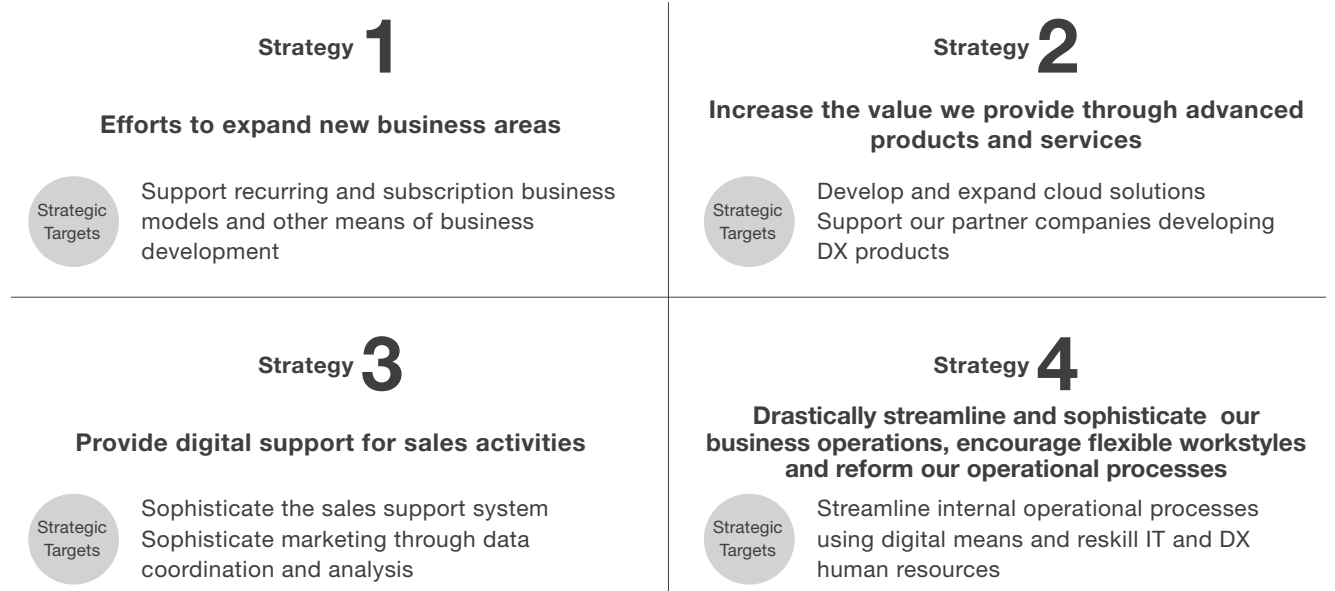
DX Strategy

Introduce digital technologies and strive to solve social issues

Under the philosophy of Creating Shared Value (CSV), the Fuyo Lease Group simultaneously pursues the resolution of diverse social issues and the provision of economic value through its business operations. As technological advances spur society's shift to digitalization, we introduce digital technologies and the value we provide to society continues to adapt to the changing external environment. In this way, we aim to create shared value over the long term.

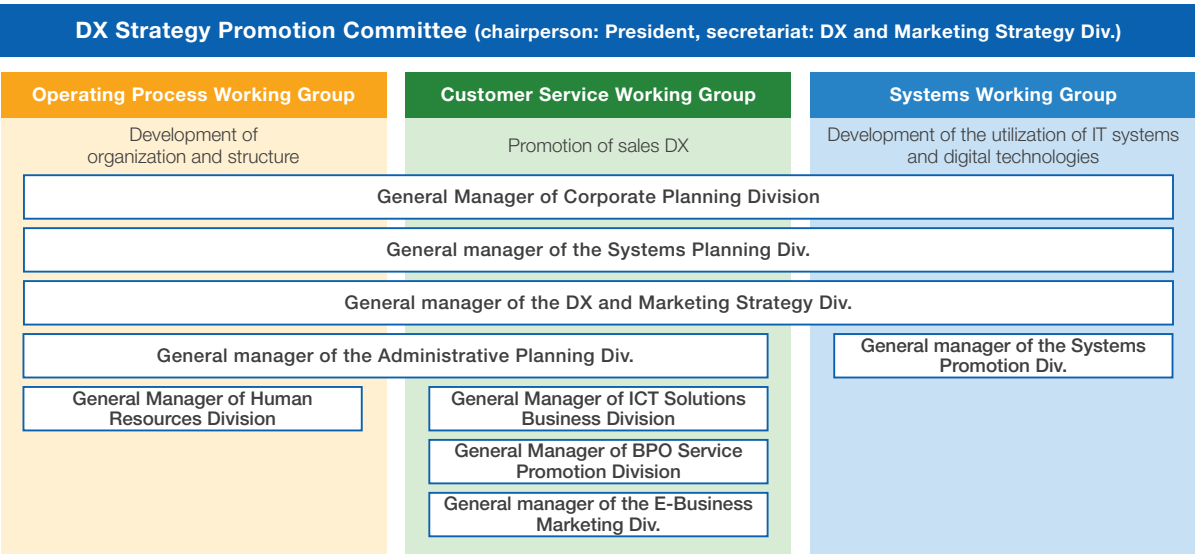
Four DX strategies

Fuyo General Lease developed four strategies to create shared value through DX.



DX Promotion System

In April 2022, we established the DX and Marketing Strategy Div. and the DX Strategy Promotion Committee. The former engages in the promotion of our DX strategies and the latter is chaired by the president. With the DX and Marketing Strategy Div. serving as the Committee's administrative body, the Committee deliberates and reports on (1) the development of the organization and structure necessary for the promotion of DX strategies, (2) the promotion of sales DX strategies and (3) the development of environments for the utilization of IT systems and digital technologies to support our DX strategies.

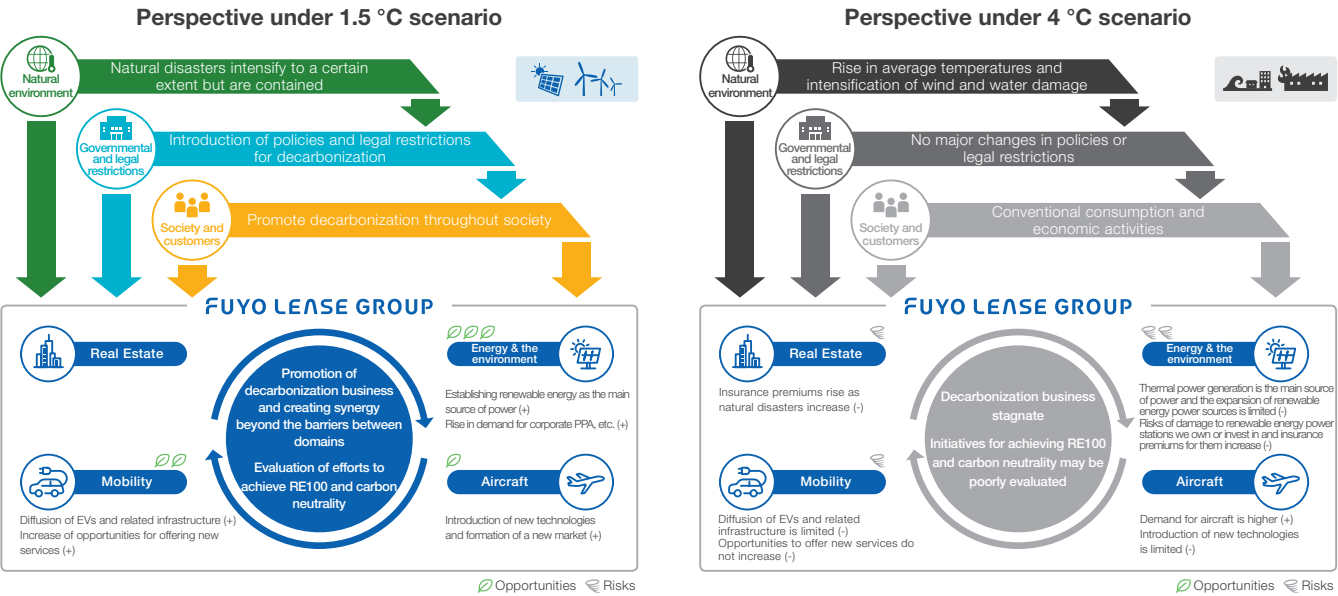


Key risks and opportunities related to climate change (excerpt)*1

Category		Effect on our operations			
		Business summary	Time span	Impact by scenario	
1.5°C	4°C				
Company-wide					
Transition risks	Introduction of a carbon tax (policies and legal regulations)	Risk of increase of costs for the achievement of RE100 and carbon neutrality due to the introduction of a carbon tax	Medium term to long term	Minor	Minor
Real Estate					
Physical risks	Increasingly serious natural disasters (acute)	Risks of rise in insurance premiums after increase and intensification of natural disasters	Short term to long term	Minor	Minor
Energy & Environment					
Transition risks	Institutional changes of energy purchase systems (FIT, FIP), etc. (policy and legal restrictions)	Risks of decrease in revenue from electric power sales, increase in operational costs, etc. in the event of unexpected institutional changes	Short term to long term	Medium	Medium
Opportunities	Rise in demand for renewable energy (products, services and markets)	Increase of initiatives for domestic renewable energy projects	Short term to long term	Major	Major
		Increase of initiatives for overseas renewable energy projects	Short term to long term	Major	Medium
	Business opportunities brought by new technologies, new systems, etc. (products, services and markets)	Increase of initiatives for new areas of business such as secondary energy	Short term to long term	Major	Medium
Mobility					
Transition risks	Stricter regulation of CO ₂ emissions (policy and legal restrictions)	Risks of decrease in demand for the lease of conventional diesel and gasoline-powered vehicles due to a decrease in demand for gasoline-powered vehicles following the tightening of CO ₂ emissions regulations, etc.	Medium term to long term	Medium	Small to medium
Opportunities	Rise in demand for electric vehicles (markets)	■ Promotion of one-stop services with electric vehicles ■ Promotion of partnership with car manufacturers and dealers and alliance strategies with power companies, trading firms, etc. ■ Building a maintenance network ■ Promoting FCV before other companies do	Short term to long term	Medium	Medium
	Rise in demand for services related to electric vehicles (products and services)				
Aircraft					
Transition risks	Changes in the business environment (market)	Risks of decrease in profit resulting from the resale prices of old model aircraft after the termination of the lease period alongside the shift to fuel-efficient aircraft	Medium term to long term	Medium	Minor
Opportunities	Introduction of new technologies related to aircraft and the formation of a new market (products and services)	■ Receiving inquiries regarding existing products and increasing profitability through investment in and cooperation and synergy with peripheral businesses ■ Venture capital investment and cooperation in new areas of technology (sustainable aviation fuel (SAF), hydrogen/electric/eVTOL (electric vertical takeoff and landing) aircraft, etc.)	Medium term to long term	Medium	Medium

*1 In analyzing the 1.5 °C scenario, there were some items where outside information was insufficient, and data from the 2 °C scenario was used.

Definition of timeline [Short term]: present - 2025 [Medium term]: 2026 - 2030 [Long term]: 2031 - 2050
Definition of impact (monetary impact on our consolidated gross profit in 2030) [Major]: greater than 3 billion yen [Moderate]: 100 million - 3 billion yen [Minor]: Smaller than 100 million yen



Risk Management

The Fuyo Lease Group believes that climate change risks are a category of managerial risks that should be managed, and it manages these risks using an integrated risk management system. More specifically, the Corporate Planning Div. is the risk management department that directs the Creating Shared Value Promotion Office, which is the department in charge of

Indicators and Targets

Fuyo Lease joined RE100 in 2018 and the Group set medium- and long-term environmental targets for the shift of all of the electric power it uses in its business operations to renewable energy and also achieving carbon neutrality (Scopes 1 and 2) by 2030.

In fiscal 2021, all of the electric power used at the Group's head office building was shifted to RE100-compliant electricity and our overseas affiliates were also encouraged to use renewable

risks, regarding risk management whenever appropriate. The Creating Shared Value Promotion Office monitors major risks related to climate change that may affect the Fuyo Lease Group and reports any risks that have occurred immediately to the risk management department, receives guidance and takes appropriate action.

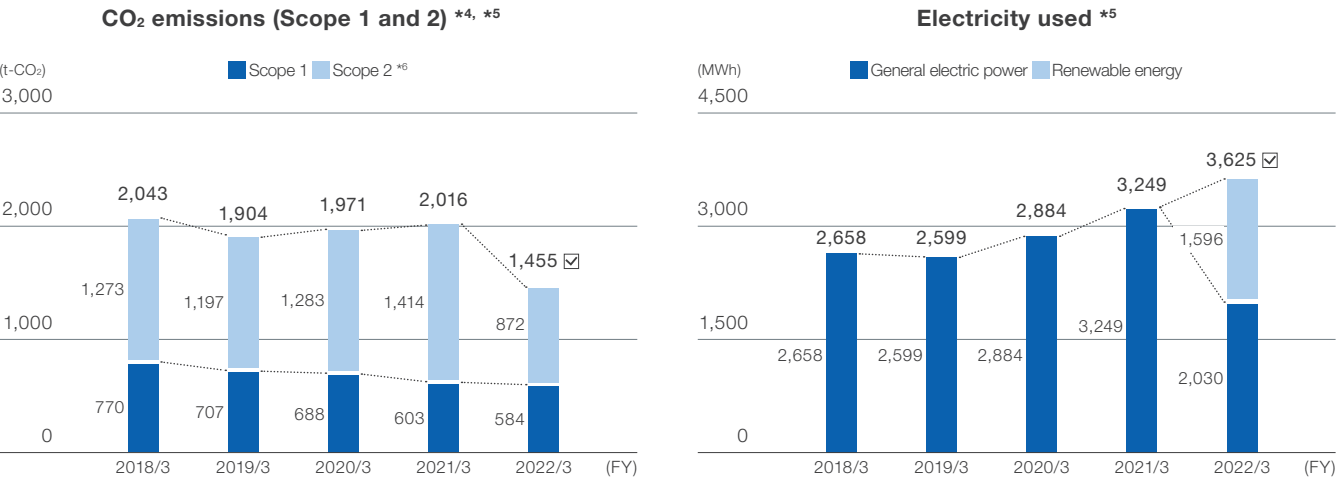
energy. Consequently, the percentage of power consumed by the entire Group that is renewable energy rose to 44%.

This led to a significant reduction of CO₂ emissions (Scopes 1 and 2) to 1,455 t-CO₂ in fiscal 2021, down 28% YoY. Going forward, we will stay committed to the decarbonization of our business operations by, for example, encouraging all of our offices and affiliates to shift to renewable energy and replacing our company vehicles with EVs or FCVs.

Fuyo Lease Group's mid- and long-term environmental targets

	2024		2030
RE100 target*2	Percentage of energy used that is renewable energy 50%	➡	Percentage of energy used that is renewable energy 100%
CO ₂ emissions*2, *3 (Scope 1 and 2)	Compared to FY2020 30% reduction	➡	Achievement of carbon neutrality

*2 Applicable to both Fuyo General Lease and its consolidated subsidiaries.
*3 Scope 1: direct emissions from the use of fuel in company vehicle, city gas, etc.; Scope 2: indirect emissions accompanying the use of purchased electric power, etc.



*4 CO₂ emissions are calculated using the emission coefficient specified in the Ministerial Ordinance on Calculation of Greenhouse Gas Emissions Emitted by Specified Emitters. (Calculations concerning domestic electric power use the annual adjusted emission coefficients for general power transmission and distribution businesses that supply power in the regions where the offices to which the calculations apply operate. Calculations concerning overseas electric power use the emission coefficients of the specific country published by the International Energy Agency (IEA)) However, Fuyo General Lease and companies of the Fuyo Lease Group are not considered to be specified emitters.

*5 The statistics are collected from all domestic offices of Fuyo General Lease Co., Ltd., Fuyo Auto Lease Co., Ltd., FGL Group Business Service Co., Ltd., FGL Group Management Service Co., Ltd., FGL Circular Network Co., Ltd., FGL LeaseUp Business Service Co., Ltd., Aqua Art Co., Ltd., FGL Techno-Solutions Co., Ltd., Sharp Finance Co., Ltd., Accreative Co., Ltd., INVOICE Inc., FUJITA Co., Ltd., NOC Outsourcing & Consulting Inc., YAMATO LEASE CO., LTD. and WorkVision Corporation as well as overseas affiliates and subsidiaries including Fuyo General Lease (USA) Inc., Fuyo General Lease (China) Co., Ltd., Fuyo General Lease (HK) Limited, Fuyo General Lease (Asia) Pte. Ltd., Fuyo General Lease (Taiwan) Co., Ltd., Fuyo General Lease (Thailand) Co., Ltd. and FGL Aircraft Ireland Limited and Aircraft Leasing and Management Limited. For the Fuyo Lease Group companies, figures from before the figures began to be recorded are not indicated.

*6 Up to fiscal 2020, Scope 2 emissions were calculated based on standard emission factors, but from fiscal 2021 onward, they are calculated based on emissions factors after adjustment. Results of past years have been revised accordingly.

See our website for the full text of the information disclosed based on the TCFD recommendations.



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 minimize the impact on the environment and ecosystems, Aqua Art procures fish and waterweed via aquaculture farms and established the SDG-Related Project in 2020 to breed fish. The company succeeded in breeding the Japanese rosy bitterling, an endangered species of freshwater fish indigenous to Japan, and the platy, a tropical fish. This effort and the aquariums are described in the special edition of the Yomiuri SDGs Newspaper: Life and the SDGs (first issue published in July 2021). In Japanese, the article was titled “Learning about ecosystems from a water tank.”

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.

In 2021, a miniature aquarium was opened as a summer event at Nagareyama Otakanomori S.C. The entertaining exhibition enabled children to create fond memories of

summer. As the theme of the exhibition was learning, the aquarium posted a panel on fish trivia and communicated the fun of seeing and the fun of learning at the same time. Besides the attractiveness of the aquarium, it offered children an opportunity to think about the environment of the world inhabited by fish.



Contribution to academia and research

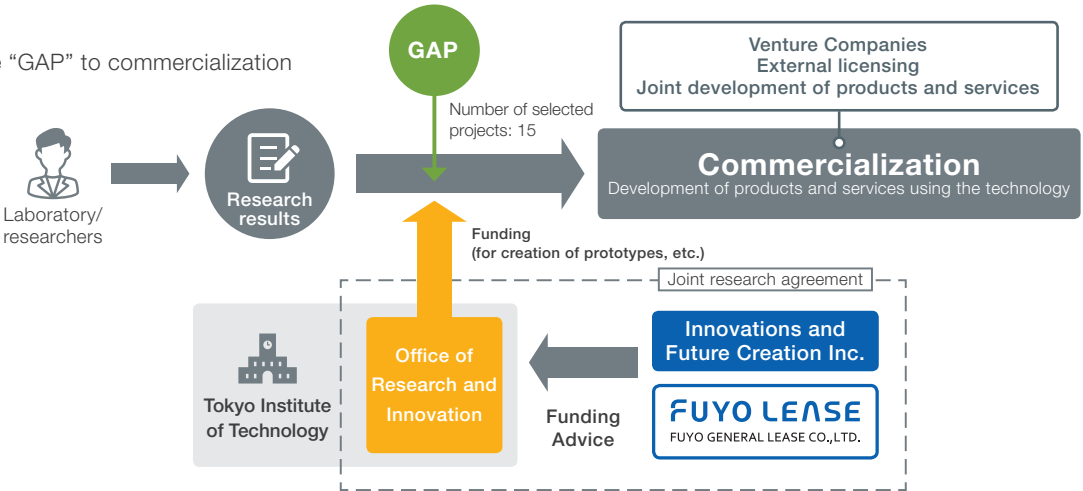


In October 2017, Fuyo Lease established Japan's first industry-academia collaborative GAP Fund in cooperation with the Tokyo Institute of Technology and Innovations and Future Creation Inc. In general, commercializing the results of university research requires additional costs outside of research expenses, 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. Extensively sharing with the world, the works that have been kept by individuals or exhibited only within the campus will hopefully serve as opportunities for the students to take a step closer to their dreams.

The university has set up a foundation operation committee as it starts to exhibit student works in the 2022 school year. A resolution regarding the committee's operation policy has been passed and we are preparing for an exhibition.

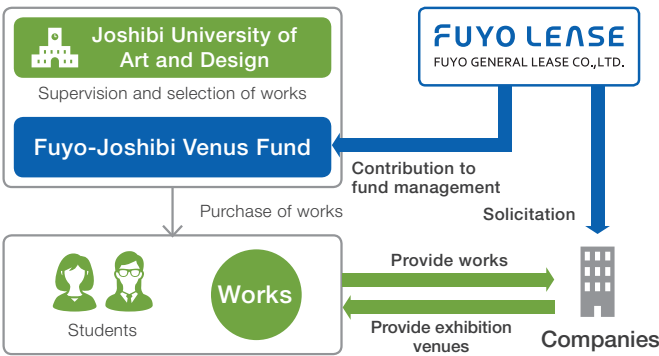
Our goal is to contribute to the advancement of art and culture in Japan by actively supporting students seeking to become artists through promotion of this fund, and by giving new art back to society.

Photo taken in front of the Winged Victory of Samothrace statue (The "Venus" of the Fuyo Joshibi Venus Fund is derived from the Winged Victory statue)



(Left) Yasunori Tsujita, Chairman of Fuyo Lease (Middle) Ms. Ogura, president of Joshibi University of Art and Design (Right) Mr. Fukushita, chairman of Joshibi University of Art and Design

Fuyo-Joshibi Venus Fund



Board Members

As of June 23, 2022



1 Yasunori Tsujita

Director and Chairman

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

Apr. 2022 Director and Chairman (current position) To present

2 Hiroaki Oda

President and Chief Executive Officer (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 Director and Deputy President Deputy President and Executive Officer Representative Director

Apr. 2022 President and Chief Executive Officer President and Executive Officer (current position) To present

3 Soichi Hosoi

Director and Deputy President (Representative 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

Apr.2022 Director and Deputy President Deputy President and Executive Officer Representative Director (current position)

4 Keiji Takada

Director and Deputy President (Representative 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

Apr. 2022 Director and Deputy President Deputy President and Executive Officer Representative Director (current position)

7 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 Chairman of the Board, SHOWA DENKO K.K.

Jan. 2022 Director of the company

Mar. 2022 Corporate advisor (current position)

10 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

5 Yusuke Kishida

Senior Managing Director

Apr. 1986 Joined Fuji Bank, Limited

Apr. 2012 Deputy General Manager, Financial Planning Department, Mizuho Financial Group, Inc.

Deputy General Manager, Planning Administration Department, Mizuho Bank, Ltd.

Deputy General Manager, Financial Planning Department, Mizuho Corporate Bank, Ltd.

July 2013 General Manager, Internal Audit Department, Mizuho Financial Group, Inc. (leaves office in March 2016)

Apr. 2016 Director, General Affairs Div., Fuyo Lease Group

Apr.2018 Executive Officer and General Manager, Financial Planning Div.

Apr.2021 Managing Executive Officer

Apr.2022 Senior Managing Executive Officer

June 2022 Senior Managing Director and Senior Managing Executive Officer (current position)

8 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

11 Masaharu Nakamura

Full-time Audit & Supervisory Board Member

Apr. 1985 Joined the Company

Oct. 2001 Inspector of Credit Division, Credit Div.

Oct. 2012 Deputy General Manager, Credit Div.

Apr. 2017 Director and General Manager, Credit Div.

Apr. 2019 Executive Officer and General Manager, Real Estate Planning Div.

Apr. 2021 Executive Officer and General Manager, Group Internal Audit Div.

Apr. 2022 Counselor of the Company

June 2022 Full-time Audit & Supervisory Board Member of the Company (current position)

6 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

9 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

12 Takashi Yonekawa

Audit & Supervisory Board Member Outside Independent

Apr. 1982 Joined Yasuda Fire and Marine Insurance Co., Ltd. (currently Sampo Japan Insurance Inc.)

Apr. 2016 Director, Managing Executive Officer, Head of Kansai Division I of Sampo Japan Nipponkoa Insurance Services Inc. (currently Sampo Japan Insurance Inc.)

Apr. 2018 Senior Executive Officer, Head of Kansai Division I

Apr. 2020 Vice-President and Executive Officer, Sampo 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

13 Hiroshi Imoto

Audit & Supervisory Board Member Outside Independent

Apr. 1981 Joined the Export-Import Bank of Japan (currently the Japan Bank for International Cooperation)

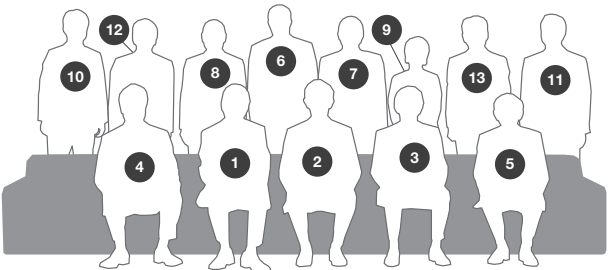
Oct. 2008 General Manager of International Management and Planning Division and Manager of International Management and Planning Division's Management and Planning Office of Japan Bank for International Cooperation

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



We will increase the effectiveness of the Board of Directors toward achieving the new Medium-term Management Plan.

Seiichi Isshiki

Outside Director



During the establishing process of the new Medium-term Management Plan, I participated in the planning strategies

I took an Outside Director's position in June 2015 and have been participating in this company as a director longer than any of other current directors. During establishing the new Medium-term Management Plan, I joined several discussions. Compared with the establishment of the previous Medium-term Management Plan, I had many more opportunities to participate in. My participation in this process was a very impressive experience for me.

When I first heard about the original draft, I was puzzled by the ambitious plan. It is true that the previous Medium-term Management Plan aggressively expanded the areas of our business operations and led us to achieve steady growth and there are good reasons for the new plan being very ambitious. As an Outside Director, I had to solve issues through in-depth and straightforward dialogue to convince myself about the plan. For example, I questioned the business strategy that would support the achievement of

the ambitious plan, to ensure it was specific and well-grounded and to understand the depth of the executives' understanding of business operations.

The Outside Directors discussed and provided recommendations based on their expertise and experience in business management. For example, I have led the outsourcing of indirect departments in the management of an energy business, and from this experience I confirmed management's awareness of the issues involved in expanding the BPO business.

In pushing forward with the strategy, the company significantly needed to improve in terms of the development of human resources and in other areas. We asked many questions and gave a lot of advice regarding these issues.

I heard that there was considerable discussion within the company in response to our questions, but I am convinced that the results of this sincere dialogue were reflected in the plan, and that it has resulted in positive outcomes.

Improvement of the effectiveness of the Board of Directors and future issues

I can feel that the company is engaged in lively discussion and that this is reflected in management strategies. This is attributable to the many different efforts to continue substantive, lively discussion in pursuit of the greater effectiveness of the Board of Directors.

The existence of the Outside Directors is particularly important. All the outside directors of the Fuyo General Lease Group are appointed from a wide range of industries and backgrounds, while all having a base of knowledge related to business management, including a female executive and the composition is very well-balanced in deepening multifaceted discussions.

A preliminary explanatory session precedes every board meeting so we can directly talk with the general managers and deputy general managers about specific topics. By obtaining information about the issues discussed in in-house meetings and expected risks, we have in-depth discussion in preparation for board meetings. This is enough as far as giving advice and recommendations on the formulation and implementation of a strategy. However, we still have some improvements that are needed in terms of the monitoring function.

Current and future activities of the Nomination and Compensation Advisory Committee

Four of the five members of the Nomination and Compensation Advisory Committee are Outside Directors. It is safe to say the Committee remains independent and also maintains objectivity in its supervisory duties. Working for the company on a part-time basis inevitably limits the availability of the information we get. Despite this, we need to establish a process for properly developing and selecting executives and to improve discussion regarding a successor development plan.

We openly discuss compensation and try to keep our perspectives objective. Recently, we advanced the discussion regarding the introduction of non-financial indicators to the evaluations for performance-based compensation. To our understanding, this has been a very challenging task for a financial institution. The decision was very important for enabling our officers and employees to work together on the core theme of the new Medium-term Management Plan, which are pursuing both social value and



corporate value to achieve sustained growth. We hope we will increasingly find that the decision has been effective.

The supervisory function that the Board of Directors should perform

The Outside Directors should demonstrate the supervisory function they are expected to perform in the process for achieving the new Medium-term Management Plan. Importantly, the executive division and the Board of Directors should maintain their moderately intense relationship while we provide recommendations based on an appropriate amount of information and communicate them from broad perspectives that only people outside the company could have.

The company's executives have a solid view that, more than anything else, they need to invest in human resources in order to achieve sustained growth in accordance with the new Medium-term Management Plan by solving problems related to social value while at the same time achieving economic value. Another important point is how the Fuyo Lease Group and everyone within the entire Group can work together to achieve the same goal. We will also provide support with the goal of improving the Group's governance as the Group consolidates while ensuring the diversity of the different companies remains intact.

It is wonderful to see that our stance in working on our businesses, aiming to create corporate value compatible of pursuing social value, has been taking root as a part of our corporate culture. I would definitely like to participate in and contribute to the efforts to make this happen.

Corporate Governance

Our Approach to Corporate Governance

The Fuyo Lease Group places strong emphasis on creating and maintaining relationships with various stakeholders, including shareholders, customers, employees, and local communities. We believe that the fundamental and most important objective of corporate governance is to perform business activities with sincerity and fairness in line with the Group's mission, vision and value and to achieve the management targets outlined in the Group's fiscal year 2022-2026 medium-term management plan, Fuyo Shared Value 2026.

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 General Lease Co., Ltd. ("Fuyo Lease" or the "Company") has adopted the Company with Board of Corporate Auditors system and has appointed four Outside Directors and two Outside Corporate Auditors who are Independent from the Company. As the table on the right shows, we are working to ensure that corporate governance functions effectively by establishing and operating relevant systems, in order to improve corporate value over the medium to long term.

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.

1 Board of Directors

The Company's Board of Directors consists of nine Directors, including five internal Directors and four Independent Outside Directors, with Independent Outside Directors accounting for more than one third of the Board of Directors. Independent Outside Directors provide advice and supervision from a perspective independent from business execution, ensuring enhanced objectivity, transparency and supervisory functions of the Board. In addition, an internal Director who is not an Executive Director is selected to chair meetings of the Board.

The Board of Directors deliberates and makes decisions on important management issues, and matters specified in laws and regulations, the Articles of Incorporation, or the Board of Directors Rules. Based on regular reporting, etc., the Board also oversees the execution of duties by Directors and Executive Officers. Starting in fiscal year 2022, Board of Directors Operations Office was established as the secretariat for the Board of Directors to enhance the governance functions.

2 Nomination and Compensation Advisory Committee:

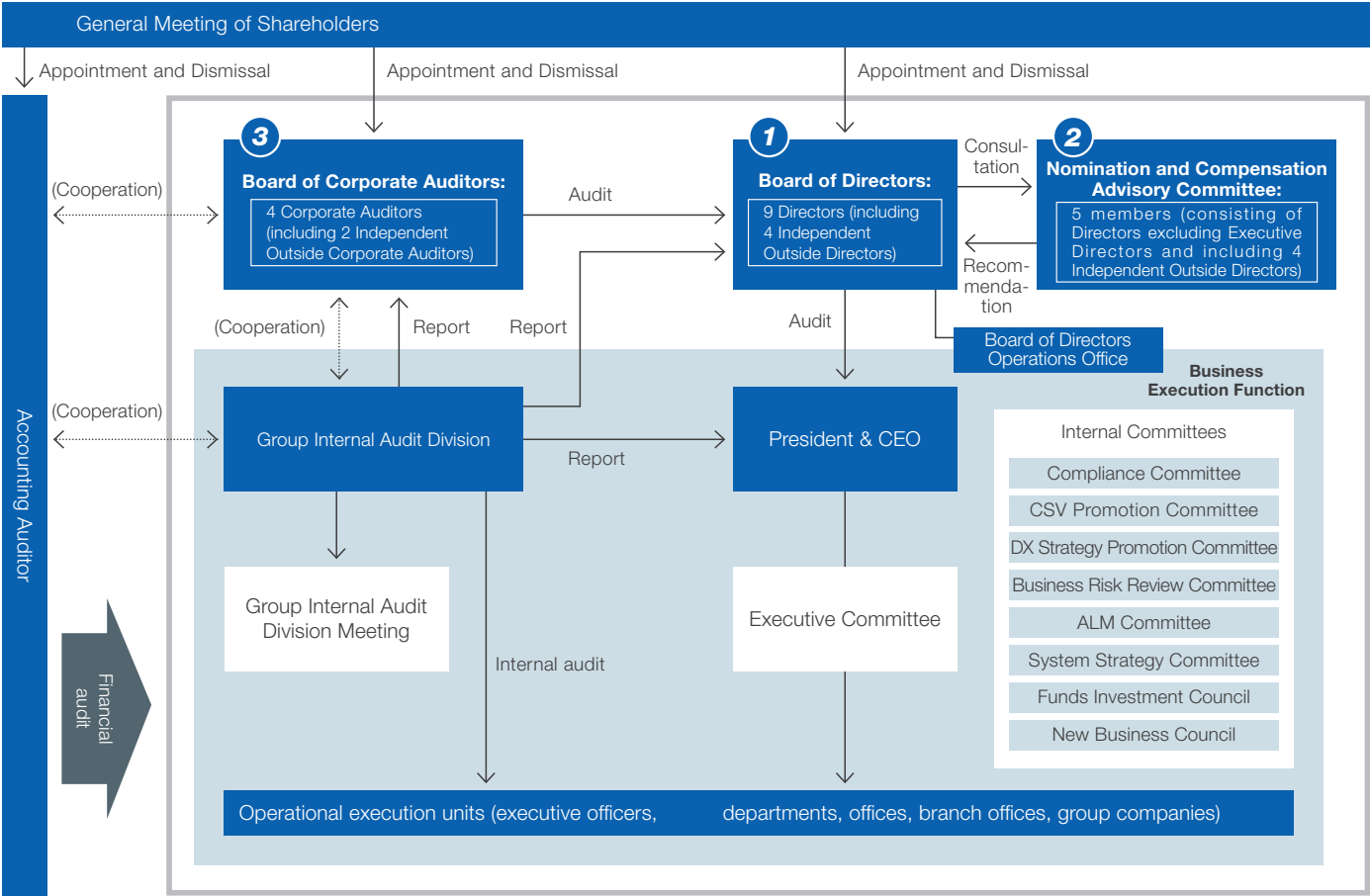
The Company has set up Nomination and Compensation Advisory Committee as an advisory body of the Board of Directors to ensure objectivity and independence in the process for determining nomination of officers, remuneration, etc. The Committee deliberates mainly on the nomination of candidates for Directors and Corporate Auditors or removal thereof, remuneration for Directors, succession plans for President & CEO, and the analysis and evaluation of overall effectiveness of the Board of Directors. The Committee then reports its findings to the Board of Directors. The Committee consists of five members, including four Independent Outside Directors and an internal Director. The content of such reporting is determined based on the consent of all members present at the meeting, in principle, or when such consent may not be obtained, on the consent of a majority of the members present at the meeting. Moreover, approval and resolution of the Board of Directors are made by respecting the content of such reporting.

Strengthening Corporate Governance

Fuyo Lease has implemented various initiatives aimed at strengthening corporate governance. Initiatives since 2015 are as shown below.

Year	Initiative	Objective
2015	<ul style="list-style-type: none">Increased the number of Independent Outside Directors from one to twoEstablished the Corporate Governance GuidelinesSet up the Nomination and Compensation Advisory Committee	<ul style="list-style-type: none">To strengthen the management oversight structureTo comply with Japan's Corporate Governance CodeTo ensure independence and objectivity in the decision-making process for matters such as nomination and remuneration
2016	<ul style="list-style-type: none">Started analyzing and evaluating the overall effectiveness of the Board of Directors	<ul style="list-style-type: none">To verify the effectiveness of the roles, functions, etc. of the Board of Directors and to make ongoing improvements
2018	<ul style="list-style-type: none">Increased the number of Independent Outside Directors from two to threeIntroduced a new stock compensation plan (Board Benefit Trust (BBT))	<ul style="list-style-type: none">To strengthen the management oversight structureTo strengthen links among officers' remuneration, shareholder value, and progress towards the medium-term management plan
2019	<ul style="list-style-type: none">Released an English version of the Corporate Governance ReportBegan reporting annual internal audit results and annual plans and policies to the Board of Directors	<ul style="list-style-type: none">To enhance external disclosure related to corporate governanceTo expand reporting lines for internal audits
2021	<ul style="list-style-type: none">Increased the number of Independent Outside Directors from three to fourRevised Corporate Governance Guidelines	<ul style="list-style-type: none">To strengthen the management oversight structureResponse to the revised Corporate Governance Code
2022	<ul style="list-style-type: none">Regarding indicators used for the calculation of performance-linked compensation based on the new medium-term management plan, changes were made to financial items and non-financial items were added.	<ul style="list-style-type: none">To ensure the achievement of financial and non-financial targets in the new medium-term management plan

Corporate Governance Structure



3 Corporate Auditing System

Board of Corporate Auditors

The Company's Board of Corporate Auditors consists of four Corporate Auditors, including two full-time and two part-time Corporate Auditors. The part-time Corporate Auditors are Independent Outside Corporate Auditors. According to an audit plan prepared by the Board of Corporate Auditors, each Corporate Auditor audits the execution of duties by Directors by attending important meetings, inspecting important documents, examining operations and assets, and by hearing the audit findings of the accounting auditor and the internal audit department, among other relevant activities. Corporate Auditors work closely with the internal audit and internal control departments to conduct audits to enhance audit quality. At the request of the Corporate Auditors, an employee (a staff member from the Board of Directors' Office) has been appointed to assist them.

Internal audit

Internal audit functions are administered by Group Internal Audit Division (staffed by 12 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 operational audits are reported to the President & CEO and Corporate Auditors each time, and to the Board of Directors and the Executive Committee on a periodic basis.

Financial audit

In accordance with the provisions of the Financial Instruments and Exchange Act, Fuyo Lease entrusts audits of consolidated and non-consolidated financial statements to Ernst & Young ShinNihon LLC.

Internal Committees

Compliance Committee	The Compliance Committee discusses matters related to the promotion of compliance systems and the formulation of compliance programs (annual plan).
CSV Promotion Committee	The CSV Promotion Committee directs CSV promotion and deliberates on materiality planning, etc.
DX Strategy Promotion Committee	The DX Strategy Committee directs overall DX strategies and deliberates on the development of frameworks for the promotion of the strategies and necessary IT systems and the formulation of sales strategies.
Business Risk Review Committee	Business Risk Review Committee deliberates on projects that have a significant influence on management and policies for initiatives regarding business models, and monitors the status of business risk, including credit risk.
ALM Committee	ALM Committee deliberates on specific measures for market risk management, including interest rates, foreign exchange and price fluctuations, and monitors market risk situations.
System Strategy Committee	System Strategy Committee discusses and promotes overall strategies for the Company's IT systems.
Funds Investment Council	The Funds Investment Council deliberates on the establishment of investment limits regarding investment projects related to funds and monitors management status.
New Business Council	New Business Council deliberates on new projects that may generate new business fields.

Attendance at Board and Committee meetings(attendance in FY 2021 by board members, as of June 23, 2022)

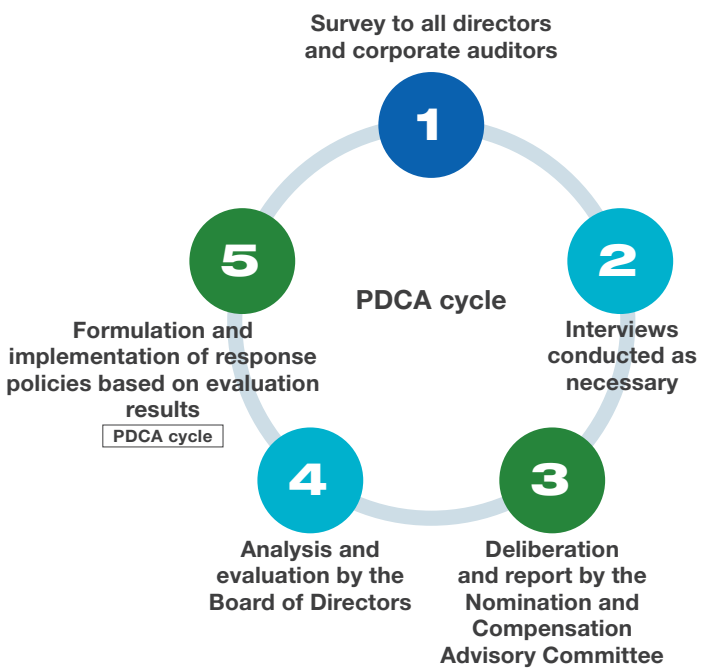
Name	Position	Attendance at Board meetings, etc.
Yasunori Tsujita	Director and Chairman, Chairman of the Nomination and Compensation Advisory Committee	12/12 Nomination and Compensation Advisory Committee: 6/6
Hiroaki Oda	President and Chief Executive Officer (Representative Director)	10/10 (Elected in June 23, 2021)
Soichi Hosoi	Director and Deputy President (Representative Director)	12/12
Keiji Takada	Director and Deputy President (Representative Director)	12/12
Yusuke Kishida	Senior Managing Director	- (Elected in June 23, 2022)
Seiichi Isshiki	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	12/12 Nomination and Compensation Advisory Committee: 6/6
Hideo Ichikawa	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	12/12 Nomination and Compensation Advisory Committee: 6/6
Masayuki Yamamura	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	12/12 Nomination and Compensation Advisory Committee: 6/6
Hiroko Matsumoto	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	10/10 Nomination and Compensation Advisory Committee: 4/4 (Elected in June 23, 2021)
Yoshito Tsuruta	Full-time Audit & Supervisory Board Member	12/12 Board of Corporate Auditors: 12/12
Masaharu Nakamura	Full-time Audit & Supervisory Board Member	- (Elected in June 23, 2022)
Takashi Yonekawa	Outside Audit & Supervisory Board Member (Independent Director)	10/10 Board of Corporate Auditors: 9/9 (Elected in June 23, 2021)
Hiroshi Imoto	Outside Audit & Supervisory Board Member (Independent Director)	10/10 Board of Corporate Auditors: 9/9 (Elected in June 23, 2021)

Initiatives to Improve the Effectiveness of the Board of Directors

Fuyo Lease is engaged in a number of initiatives to ensure active and substantial discussions at its Board of Directors' meetings. Regarding the analysis and evaluation of the overall effectiveness of the Board of Directors, the Company conducted a questionnaire with all Directors and Corporate Auditors as the target audience and held interviews as

necessary. After deliberations and reporting by the Nomination and Compensation Advisory Committee (the Company's corporate lawyers assists the secretariat for the Committee), of which independent Outside Directors comprise the majority, the results of the analysis and evaluation were resolved by the Board of Directors.

Evaluation process (corporate lawyer assists the secretariat)



Assessment Criteria

- 1 Composition, etc. of the Board of Directors
- 2 Roles of the Board of Directors
- 3 Operation of the Board of Directors
- 4 Frameworks for supporting Outside Officers
- 5 Summary

FY2021 Evaluation Results

The effectiveness of the Board of Directors was confirmed as its size, composition, functions, roles, operation, and all other evaluation items were recognized to be appropriate. It is necessary to continue to steadily promote and further establish measures to improve the functions of the Board of Directors and to constantly review the Board of Directors in response to changes in the internal and external environment.

Issues in Previous Fiscal Year	FY2021 Initiatives
Further improvement of the Board of Directors' functions	<ul style="list-style-type: none">One female director was appointed at the Annual General Meeting of Shareholders in June 2021Skill matrix of the Board of Directors was developedIn the process of establishing the current Medium-Term Management Plan, a forum for discussion with Outside Directors was set up (four times in total), in addition to discussions at the Board of Directors' meetingsReviewed the criteria for items to be submitted for discussion at the Board of Directors meetings, focusing on strategic importance and expanding the scope of delegation to the Executive Committee
Further deepening of CSV management	<ul style="list-style-type: none">Set CSV practice as the management theme in the current medium-term management planDevelopment, examination and formulation of strategies for each business segment, incorporating CSV perspectives
Further enhancement of information provision to outside officers	<ul style="list-style-type: none">Provision of opportunities to attend meetings of managers of departments and offices, etc. in addition to the provision of materials and minutes of Executive Committee, which was already being implemented

Future Issues and Initiatives

We recognize the need to further improve the function of the Board of Directors by having a director other than an executive director chair the Board of Directors meetings, as a general rule. We further recognize the need to enhance

deliberations and reporting by the Board of Directors to steadily promote the medium-term management plan and further deepen CSV management, and to further enhance the provision of information to Outside Directors.

Director Qualifications and Nomination Procedures

1 Policy and procedures for nominating and removing Director and nominating candidates for Corporate Auditor

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. 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.

2 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.

The Board of Directors Skills Matrix

Name	Position, etc. and status of execution of duties	Nomination and Compensation Advisory Committee:	Term of office	Areas of Particular Interest					
				Corporate management (industry)	Finance and accounting	Global business	IT and technology	Human resources development	Internal control and management
Yasunori Tsujita	Director and Chairman Chair of the Board of Directors	Chair	7 years	● Finance (bank/leasing)			●	●	●
Hiroaki Oda	President and Chief Executive Officer (Representative Director) President and Executive Officer		1 years	● Finance (bank/leasing)		●			
Soichi Hosoi	Director and Deputy President (Representative Director) Vice President and Executive Officer		8 years	● Finance (bank/leasing)	●	●			●
Keiji Takada	Director and Deputy President (Representative Director) Vice President and Executive Officer		2 years	● Finance (leasing)		●			
Yusuke Kishida	Senior Managing Director Senior Managing Executive Officer		(Newly appointed)	● Finance (leasing)	●				●
Seiichi Isshiki	Directors Outside Independent	Members	7 years	● Resources and energy	●		●		●
Hideo Ichikawa	Directors Outside Independent	Members	4 years	● Chemical manufacturing		●		●	●
Masayuki Yamamura	Directors Outside Independent	Members	3 years	● Telecommunications/technology	●		●		●
Hiroko Matsumoto	Directors Outside Independent	Members	1 years	● University education/industry-government-academia partnership/product design				●	
Yoshito Tsuruta	Full-time Audit & Supervisory Board Member		2 years	● Finance (leasing)	●				
Masaharu Nakamura	Full-time Audit & Supervisory Board Member		(Newly appointed)	● Finance (leasing)	●				●
Takashi Yonekawa	Corporate Auditors Outside Independent		1 years	● Finance (insurance)	●	●		●	
Hiroshi Imoto	Corporate Auditors Outside Independent		1 years	● Finance (international finance)		●		●	●

Board Remuneration

Fuyo Lease has established "decision policy regarding the content of individual remuneration of directors" by resolution of the Board of Directors. Believing that enhancing the link between shareholder value and officers' remuneration will boost their morale and motivate them to improve the Company's financial performance and share price and lead the way toward the goals of ensuring stable performance and growth, while enhancing corporate value, the Company has introduced performance-linked compensation and stock-based compensation as variable compensation systems, in addition to base salary provided as fixed compensation.

Base salaries are determined with reference to our employee salaries, generally prevailing officers' compensation levels, our financial standing, etc.

Performance-linked compensation is determined according to consolidated business performance and contribution made by each officer to the performance. In addition, indicators for performance-based compensation are established by categorizing them into financial items, which are key performance indicators for the medium-term management plan, and non-financial items, which include the environment and investment in human capital. Financial items are ordinary profit, ROA, shareholders' equity ratio, and ROE on a consolidated basis. Non-financial items are amounts of capital invested in expenses related to decarbonization and human resources related on a non-consolidated basis. The President & Chief Executive Officer is delegated by resolution of the Board of Directors to determine details regarding the amounts and timing of payment of performance-based compensation.

The stock compensation plan (Board Benefit Trust (BBT)) is designed to further clarify the link between officers' compensation

and the value of the Company's shares and to further raise officers' awareness of contributing to improving business performance and increasing corporate value over the medium to long term. Under this compensation plan, the Company's shares are acquired by a trust using funds contributed by the Company, and officers are 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, on the condition that requirements specified in the Officers Stock Benefit Rules are met), in principle, in accordance with the Officers Stock Benefit Rules resolved by the Board of Directors.

The ratio between base salary and variable compensation is set at 1 to 0.7 based on average compensation ratios used by listed companies. Variable compensation consists of performance-based compensation and stock compensation, and the ratio between the two is set at 5 to 7 to provide higher incentives over the medium to long term.

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 who have supervisory functions and Corporate Auditors consists only of fixed compensation because the concept of performance-based compensation and stock compensation is not suitable.

The Company stipulates in its internal rules that if a Director causes significant damage to the Company or engages in inappropriate conduct, etc., the Director will be subject to a reduction or non-payment of his/her base salary or performance-based compensation, or cancelation of his/her right to receive stock compensation.

Risk Management

As stipulated in the Fuyo Lease Group risk management regulations, we have established a risk management system at our locations across the globe 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.

For risk events that may affect the Group' business, the Group has sought to comprehensively identify risks facing each Group business, considered the scale and characteristics of the identified risks while making sure to include risks in each business domain, such as economic downturns, market

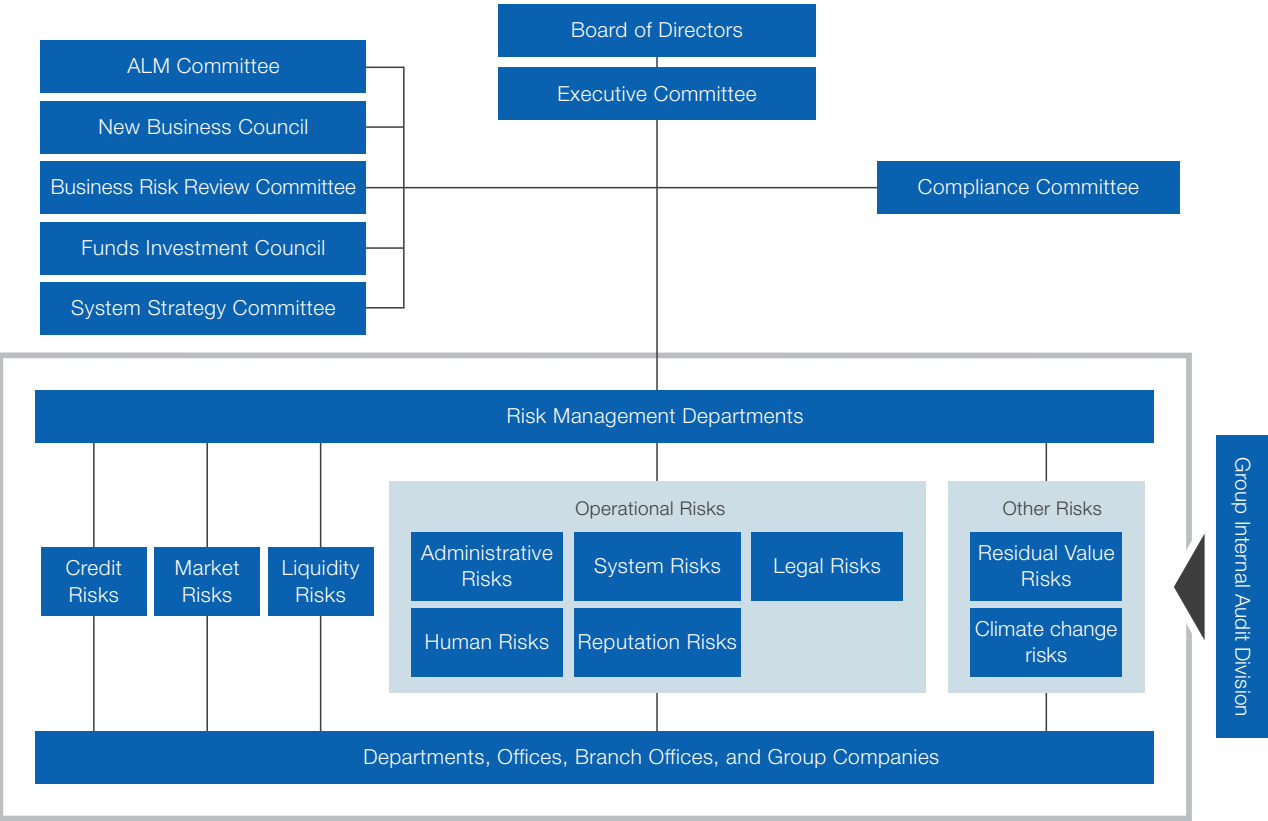
fluctuations, and downturns in individual markets.

In addition, as a risk governance system for the entire group, we have established a "Three-Line Defense System" based on risk management by each business unit (first line), risk management by the risk control department and the department in charge of risk (second line), and verification by the internal audit department (third line).

The designated risk management division formulates a basic policy for managing risks identified as targets, and conducts an appropriate analysis, evaluation and measurement of risks according to the size and characteristics of the relevant business and risk profiles. In addition, the designated risk management division monitors the status of risks held from an independent perspective, reports the results of monitoring to the Executive Committee, etc., and implements supervision of sales and marketing divisions with an approach geared to the situation.

Moreover, the risk control division has established integrated risk management systems to promote risk management by comprehensively identifying and evaluating risks by risk category, and to control risks with the scope of management capabilities.

Risk Management System



Board Remunerations (FY 2021)

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	393	247	68	78	10
Outside Directors	45	45	-	-	4
Corporate Auditors	66	66	-	-	6
Outside Corporate Auditors	21	21	-	-	4

(Note) 1. The above performance-linked compensation indicates amounts to be recorded as expenses in fiscal 2021.
2. Non-monetary compensation, etc. is a stock benefit trust (BBT). The amounts of the BBT denote amounts to be recorded as expenses in the fiscal year under review based on the actual number of points accumulated for stock grants or the expected number of points to be accumulated in the fiscal year under review.

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 27, 2022). 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
Other risks Climate change 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. 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 is 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 2021, we provided training on confidential information management and personal data protection to 1st year employees (Generalist track).

Large-Scale Disaster

The Fuyo Lease Group has developed a system 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 BCP Fundamental Principle and the Emergency Preparedness Regulations. We also conduct regular drills to promote the minimization of damage and ensure business continuity. Moreover, in fiscal 2020, we standardized disaster stockpiles at all Group companies following the relocation of our headquarters and identified the highest priority business operations in our Group companies. In fiscal 2021, we strengthened collaboration for disaster response within the Group, including the launch of a liaison meeting for information sharing with the persons in charge of disaster prevention at our Group companies.

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 2021, 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 2021)

Group training and workplace training		
Participant	Subject	# of session
New employee	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
4th 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 Security	1
Directors and head of department/ office/branch office	The latest developments regarding business and human rights and the response required of Japanese companies	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 2021, eleven reports were received through the hotline. In each case, we contacted the relevant parties to confirm the facts, conducted investigations promptly with due care to protect whistleblowers from detrimental treatment, and handled the cases appropriately by means such as seeking advice from lawyers.

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 ☑.



Independent Assurance Report

To the President & Chief Executive Officer 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, 2021 to March 31, 2022 included in its Fuyo Lease Group Integrated Report 2022 (the “Report”) for the fiscal year ended March 31, 2022.

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.



Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
September 21, 2022

Financial Section

Financial Information

Message from Senior Financial Officer

Financial & Non-Financial Data (10 years)

Consolidated Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Income and Statements of Comprehensive Income

Consolidated Statements of Changes in Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Independent Auditor’s Report

P61

P63

P65

P67

P69

P72

P74

P119

The consolidated financial statements on page 65 to page 118 and the independent auditor’s report on the financial statements on page 119 to page 123 were first published on the Company’s website on September 12, 2022 and are republished in this document.



Under Fuyo Shared Value 2026, the new Medium-term Management Plan started in the fiscal year under review, we will seek to expand our business and achieve sustainable growth through proactive investment in growth areas that reflect changes in social structure and market trends, while addressing social issues through the implementation of CSV and simultaneously realizing economic value. In the process of creating new value through business expansion and further evolution based on this direction, we may be exposed to a variety of risks more than before, so the basic policy of our financial strategy is to further expand our financial base.

Improving shareholders’ equity and maintaining ROE level

In the new Medium-term Management Plan, shareholders’ equity and maintaining ROE (return on equity) are established as new financial targets. By ensuring a lasting improvement in ROA (return on assets) through increases in profitability based on the continuous replacement of existing assets, and by improving shareholders’ equity ratio from the current level of approximately 11% to 13-15% over the next 5 years, we will strengthen our ability to withstand changes in the business environment and business risks. In addition, we will operate with full attention to the balance between capital efficiency by maintaining a stable ROE of 10% or more.

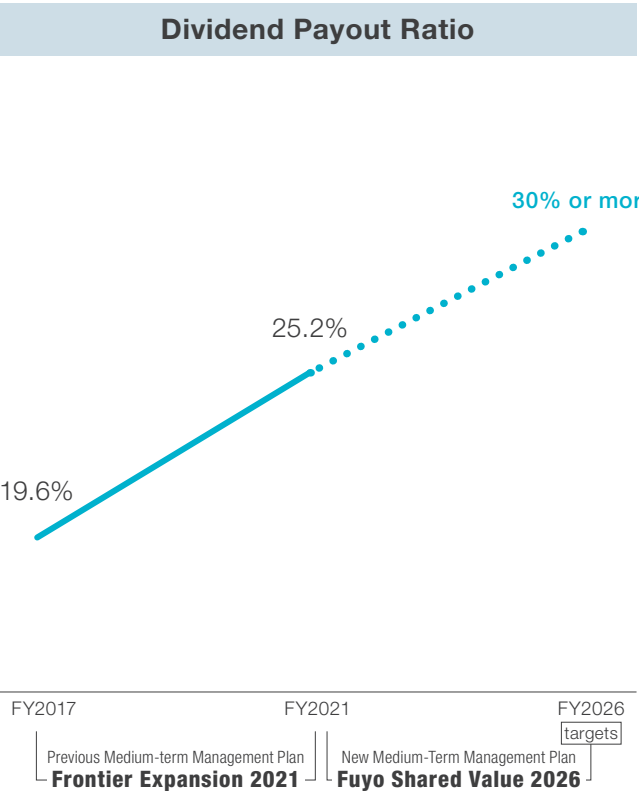
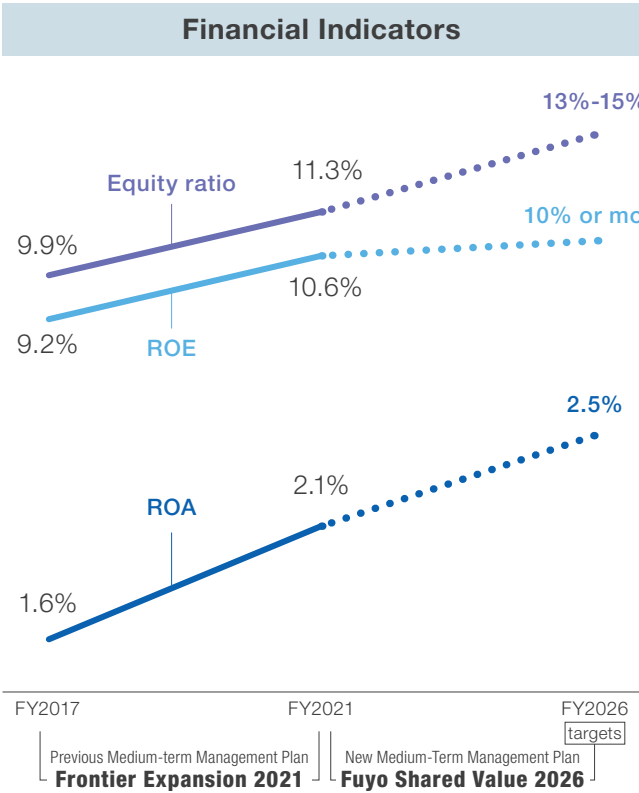
In our efforts to increase shareholders’ equity, we are not only seeking to steadily generate higher income through the promotion of business strategies, but are also examining and planning, in our capital policy, to issue hybrid securities (unsecured bond with subordination agreement) within the Plan period. Through efforts to maintain and improve external ratings while working to substantially enhance shareholders’ equity and resistance against risks without

share dilution, we will support the Group’s growth strategies and achieve stable procurement of funds.

In addition, we plan to invest a total of approximately 1 trillion yen over the next 5 years in growth areas, such as Energy & Environment Business and Mobility Business. We will implement shareholders’ equity management with full awareness of capital cost, with the aim to improve shareholders’ equity and maintain ROE level through risk-taking activities and ensure return commensurate with the risks.

Improvement of funding structure stability and diversification of funding methods

Regarding initiatives for fund procurement, we will raise the stability of procurement structure by curtailing the dependence on short term funding through CPs, etc. and increasing long term funding through corporate bonds, etc. In addition, based on efforts to promote business strategies and accumulate quality operating assets, we will pursue further diversification in procurement methods in terms of bank borrowings, corporate bonds, asset liquidation, etc.



The Group has been proactively implementing funding through the use of various ESG finance initiatives, in tandem with the promotion of CSV management. In fiscal 2021, the Company won Special Prize in the ESG Finance Awards Japan hosted by the Ministry of the Environment. We will continue to expand and enhance methods of raising capital, including sustainability linked bonds and loans, and positive impact finance, based on proactive initiatives for CSV on a group-wide basis without limiting purpose of funding.

Moreover, in line with our plan to expand overseas operations in business fields that are positioned as a Transformation Zone, we will work to stabilize foreign currency funding, the demand for which is expected to increase in the future, through flexible foreign bond issuance using the Euro MTN Program* that has already been established.

Dividend policy

Under the new Medium-term Management Plan, we aim to simultaneously achieve financial and non-financial targets through business portfolio restructuring and intense investment in business fields with growth potential. It is our policy to increase dividend payment to shareholders with

higher growth of the Group’s business.

In the five-year period under the previous Medium-term Management Plan, annual dividends per share were increased every fiscal year, from 130 yen to 285 yen, while the dividend payout ratio improved from 19.6% to 25.2%. In the future, we plan a dividend of 316 yen per share and a dividend payout ratio of 26.3%, which are above the previous fiscal year’s levels, based on the performance forecast for the fiscal year ending March 31, 2023. We will endeavor to steadily improve the dividend payout ratio throughout the new Medium-term Management Plan period, and aim to achieve more than 30% by the final year of the plan.

*A scheme that enables flexible issuance of individual bonds at any time within the issue limit by concluding a basic agreement on bond issuance with multiple dealers in advance and comprehensively defining the relationship with the parties involved in the bond issuance.

Financial and Non-Financial Data (10 years)

Financial Data (consolidated)

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
Net sales (billions of yen)	442.6	441.7	472.3	493.8	507.2	590.3	618.1	712.3	740.3	657.8
Cost of sales (billions of yen)	393.2	394.5	423.7	442.6	451.9	529.8	551.4	636.0	657.5	569.0
Gross profit (billions of yen)	49.3	47.2	48.6	51.2	55.3	60.5	66.7	76.3	82.7	88.9
Selling, general and administrative expenses (billions of yen)	24.5	24.0	24.0	26.7	26.5	27.8	31.0	34.9	38.2	42.8
Operating profit (billions of yen)	24.8	23.2	24.6	24.5	28.8	32.7	35.7	41.4	44.6	46.0
Ordinary profit (billions of yen)	26.4	25.4	26.5	29.2	31.4	35.2	39.1	44.0	48.0	52.7
Profit attributable to owners of parent (billions of yen)	15.6	13.0	14.2	17.5	20.0	21.9	25.5	26.2	29.6	33.9
Total assets (billions of yen)	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	2,949.7
Operating assets (billions of yen)	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	2,565.9
Interest-bearing debt (billions of yen)	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	2,377.6
Net assets (billions of yen)	173.8	202.6	222.5	232.5	259.2	282.6	295.0	311.8	344.8	374.2
Equity ratio (%)	8.8	9.8	10.1	9.9	9.9	10.2	10.1	10.0	10.2	11.3
Executed contract volume (billions of yen)	547.2	594.8	666.9	703.8	834.2	1,105.1	1,187.2	1,359.7	1,343.9	1,384.4
ROA (Ratio of ordinary profit to operating assets) (%)	1.80	1.64	1.59	1.62	1.60	1.67	1.76	1.90	1.94	2.06
OHR (%)	47.8	49.8	48.7	51.2	47.1	45.2	45.3	44.0	43.9	44.8
Cash flows from operating activities (billions of yen)	(55.5)	(85.2)	(165.4)	(151.5)	(154.3)	(104.4)	(80.0)	(108.8)	(35.1)	89.0
Cash flows from investing activities (billions of yen)	8.2	(1.1)	(1.1)	(1.2)	(4.6)	(5.7)	(9.4)	(11.2)	(6.0)	(15.7)
Cash flows from financing activities (billions of yen)	98.2	62.6	147.3	150.3	157.7	113.5	105.5	127.8	63.4	(101.5)
Cash and cash equivalents at end of period (billions of yen)	95.2	72.3	54.0	51.4	50.6	54.1	69.9	77.4	98.8	72.0
Basic earnings per share (yen)	518.21	429.49	470.14	579.17	661.80	726.41	844.69	871.95	986.18	1,130.52
Dividends per share (yen)	70	74	80	100	130	146	188	205	240	285

Non-Financial Data (consolidated)

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
CO ₂ emissions (Scope1,2) (t-CO ₂)*1	1,267	1,148	1,269	1,199	1,253	2,043	1,904	1,971	2,016	1,455☑
Scope1 (t-CO ₂)*1	202	192	159	153	163	770	707	688	603	584☑
Scope2 (t-CO ₂)*1	1,065	956	1,110	1,045	1,089	1,273	1,197	1,283	1,414	872☑
CO ₂ emission intensity (Scope1,2) (t-CO ₂ / 100 millions of yen)*1	0.34	0.31	0.33	0.30	0.32	0.36	0.36	0.29	0.28	0.22
Green energy supply*2 (Output) (MW)	8	23	58	86	86	111	149	229	283	318
Number of employees (Employees)	1,500	1,521	1,542	1,559	1,703	1,715	1,960	2,416	2,637	3,189
Retention rate of employees after 3 years (non-consolidated) (%)	94.4	87.5	94.7	100	85.7	100	94.3	89.7☑	—	—
Number of employees (non-consolidated) (Employees)	658	660	669	670	689	689	704	715	759	798
Turnover rate*3 (non-consolidated) (%)	1.4	1.3	1.1	0.8	1.0	1.9	1.9	1.8	1.7	1.9☑
Number of female employees in management positions (non-consolidated) (Employees)	26	25	25	27	29	32	36	79*4,*5	113*5	130☑
Percentage of female employees in management positions (non-consolidated) (%)	8.8	7.9	8.1	9.0	9.1	9.9	11.5	21.1*4,*5	27.5*5	29.5☑
Employment rate of the disabled (non-consolidated) (%)	2.0	2.0	2.0	1.8	2.2	2.3	2.3	2.1	2.4	2.2☑
Rate of taking annual paid leave (non-consolidated) (%)	60.9	59.1	58.5	61.9	68.9	68.0	68.4	66.3*6	72.0	82.3☑

*1 Up to fiscal 2020, Scope 2 emissions were calculated based on standard emission factors, but from fiscal 2021 onward, they are calculated based on emissions factors after adjustment. Results of past years have been revised accordingly.

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

*3 Turnover rate includes separations due to personal reasons, reaching retirement age, and other reasons including transfer. This does not include rehired employees who left the company due to expiration of their contracts.

*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 for the fiscal year ended March 31, 2020.

*5 Figures for rehired workers in the fiscal year ended March 31, 2020 and the fiscal year ended March 31, 2021 were included in the Integrated Report 2021, but excluded in the Integrated Report 2022.

*6 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.

Consolidated financial statements

Consolidated balance sheets

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Assets				
Current assets				
Cash and deposits	3	¥ 72,157	¥ 98,926	\$ 589,476
Installment receivables	3	66,877	84,545	546,341
Lease receivables and investments in leases	3	1,019,764	1,080,797	8,330,725
Operating loans		316,633	306,635	2,586,665
Accounts receivable - other loans to customers	3, 7	114,443	117,660	934,917
Operational investment securities	2	323,021	283,209	2,638,852
Other operating assets		23,344	19,011	190,706
Accounts receivable - lease	3	24,807	29,604	202,657
Other		66,556	91,294	543,721
Allowance for doubtful accounts		(2,717)	(3,047)	(22,203)
Total current assets		2,024,888	2,108,637	16,541,857
Non-current assets				
Property, plant and equipment				
Assets for lease				
Assets for lease	1,3,7	671,643	632,299	5,486,832
Advances for purchase of assets for lease		15,111	8,140	123,452
Total assets for lease		686,754	640,440	5,610,284
Other operating assets	1,3	31,801	33,276	259,799
Construction in progress		4,673	–	38,177
Own-used assets	1	3,754	3,662	30,674
Total property, plant and equipment		726,984	677,379	5,938,934
Intangible assets				
Assets for lease		195	240	1,595
Other intangible assets				
Goodwill		21,234	20,718	173,472
Other		9,367	7,741	76,527
Total other intangible assets		30,602	28,459	249,999
Total intangible assets		30,797	28,699	251,594
Investments and other assets				
Investment securities	2,3	120,259	112,838	982,432
Distressed receivables		539	558	4,410
Retirement benefit asset		88	64	720
Deferred tax assets		2,976	2,620	24,319
Other		42,554	47,450	347,636
Allowance for doubtful accounts		(331)	(287)	(2,706)
Total investments and other assets		166,087	163,244	1,356,811
Total non-current assets		923,869	869,323	7,547,339
Deferred assets				
Organization expenses		1	1	10
Business commencement expenses		944	1,322	7,717
Total deferred assets		945	1,323	7,727
Total assets		¥ 2,949,704	¥ 2,979,285	\$ 24,096,923

The accompanying notes are an integral part of these statements.

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Liabilities				
Current liabilities				
Notes and accounts payable - trade		¥ 35,441	¥ 33,027	\$ 289,529
Short-term borrowings		568,563	564,585	4,644,751
Current portion of bonds payable		30,000	30,000	245,078
Current portion of long-term borrowings	3, 7	328,958	308,274	2,687,350
Commercial papers		371,000	470,200	3,030,798
Payables under securitization of lease receivables	8	29,400	30,100	240,176
Current portion of long-term payables under securitization of lease receivables	3, 8	16,508	32,117	134,866
Lease liabilities		10,827	14,977	88,451
Income taxes payable		8,145	9,974	66,546
Deferred profit on installment sales		810	1,046	6,619
Provision for bonuses		2,811	2,265	22,970
Provision for bonuses for directors (and other officers)		200	180	1,636
Provision for share awards for directors (and other officers)		205	49	1,680
Provision for future lease payments		3	3	28
Provision for loss on guarantees		31	39	254
Asset retirement obligations		1	90	8
Other	3	48,564	41,157	396,734
Total current liabilities		1,451,473	1,538,089	11,857,476
Non-current liabilities				
Bonds payable		227,137	191,072	1,855,546
Long-term borrowings	3, 7	779,458	766,003	6,367,603
Long-term payables under securitization of lease receivables	3, 8	15,197	38,640	124,153
Lease liabilities		530	755	4,332
Deferred tax liabilities		17,122	20,772	139,881
Retirement benefit liability		2,974	1,302	24,301
Provision for retirement benefits for directors (and other officers)		160	129	1,309
Provision for share awards for directors (and other officers)		410	388	3,351
Provision for maintenance costs		476	570	3,895
Provision for loss on guarantees		440	554	3,600
Asset retirement obligations		3,825	2,568	31,254
Other		76,256	73,639	622,957
Total non-current liabilities		1,123,990	1,096,398	9,182,181
Total liabilities		2,575,464	2,634,488	21,039,657
Net assets				
Shareholders' equity				
Share capital		10,532	10,532	86,040
Capital surplus		7,278	6,197	59,464
Retained earnings		277,361	251,320	2,265,841
Treasury shares		(2,463)	(1,912)	(20,124)
Total shareholders' equity		292,709	266,138	2,391,221
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		38,547	44,833	314,906
Deferred gains or losses on hedges		(3,932)	(2,656)	(32,125)
Foreign currency translation adjustment		5,509	(3,698)	45,011
Remeasurements of defined benefit plans		(0)	(50)	(1)
Total accumulated other comprehensive income		40,124	38,427	327,791
Share acquisition rights		650	704	5,316
Non-controlling interests		40,754	39,527	332,937
Total net assets		374,239	344,796	3,057,265
Total liabilities and net assets		¥ 2,949,704	¥ 2,979,285	\$ 24,096,923

The accompanying notes are an integral part of these statements.

Consolidated statements of income and statements of comprehensive income

Consolidated statements of income		Millions of yen		Thousands of U.S. dollars (Note I)
	Notes	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Net sales	1	¥ 657,847	¥ 740,263	\$ 5,374,129
Cost of sales	3	568,988	657,519	4,648,222
Gross profit		88,858	82,744	725,908
Selling, general and administrative expenses	2	42,824	38,188	349,841
Operating profit		46,034	44,555	376,067
Non-operating income				
Interest income		13	38	113
Dividend income		2,332	2,009	19,051
Gain on investments in investment partnerships		268	249	2,197
Share of profit of entities accounted for using equity method		3,293	1,684	26,908
Recoveries of written off receivables		1,743	96	14,243
Reversal of provision for loss on guarantees		121	187	996
Other		514	468	4,207
Total non-operating income		8,289	4,734	67,715
Non-operating expenses				
Interest expenses		775	677	6,337
Bond issuance costs		34	33	281
Foreign exchange losses		430	93	3,515
Loss on investments in investment partnerships		40	163	333
Distributions of profit or loss on silent partnerships		266	281	2,178
Other		52	43	427
Total non-operating expenses		1,600	1,292	13,071
Ordinary profit		52,723	47,996	430,711
Extraordinary income				
Gain on sale of investment securities		840	2	6,868
Gain on transition of retirement benefit plan		10	–	83
Subsidy income		–	727	–
Other		73	–	603
Total extraordinary income		924	730	7,554
Extraordinary losses				
Loss on valuation of investment securities		357	1	2,924
Loss on step acquisitions		2	–	23
Impairment losses	3	642	1	5,246
Loss on disposal of non-current assets	4	40	35	331
Loss on tax purpose reduction entry of non-current assets		–	727	–
Loss on revision of retirement benefit plan		9	–	74
Total extraordinary losses		1,052	765	8,599
Profit before income taxes		52,595	47,960	429,666
Income taxes - current		17,052	15,216	139,310
Income taxes - deferred		(933)	(130)	(7,628)
Total income taxes		16,119	15,086	131,682
Profit		36,476	32,874	297,984
Profit attributable to non-controlling interests		2,589	3,307	21,156
Profit attributable to owners of parent		¥ 33,886	¥ 29,566	\$ 276,828

The accompanying notes are an integral part of these statements.

Consolidated statements of comprehensive income		Millions of yen		Thousands of U.S. dollars (Note I)
	Notes	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Profit		¥ 36,476	¥ 32,874	\$ 297,984
Other comprehensive income				
Valuation difference on available-for-sale securities		(6,297)	12,494	(51,448)
Deferred gains or losses on hedges		(742)	(1,829)	(6,067)
Foreign currency translation adjustment		7,910	(3,593)	64,623
Remeasurements of defined benefit plans, net of tax		26	124	216
Share of other comprehensive income of entities accounted for using equity method		808	1,023	6,607
Total other comprehensive income	1	1,705	8,218	13,931
Comprehensive income		¥ 38,181	¥ 41,092	\$ 311,915
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		¥ 35,583	¥ 37,740	\$ 290,695
Comprehensive income attributable to non-controlling interests		2,597	3,352	21,220

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in equity

FY2021 (From April 1, 2021 to March 31, 2022) (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 10,532	¥ 6,197	¥ 251,320	¥ (1,912)	¥ 266,138
Changes during period					
Dividends of surplus			(7,824)		(7,824)
Profit attributable to owners of parent			33,886		33,886
Purchase of treasury shares				(646)	(646)
Disposal of treasury shares			(20)	95	74
Purchase of shares of consolidated subsidiaries					–
Change in ownership interest of parent due to transactions with non-controlling interests		1,081			1,081
Net changes in items other than shareholders' equity					
Total changes during period	–	1,081	26,041	(551)	26,571
Balance at end of period	¥ 10,532	¥ 7,278	¥ 277,361	¥ (2,463)	¥ 292,709

(Millions of yen)

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥ 44,833	¥ (2,656)	¥ (3,698)	¥ (50)	¥ 38,427	¥ 704	¥ 39,527	¥ 344,796
Changes during period								
Dividends of surplus								(7,824)
Profit attributable to owners of parent								33,886
Purchase of treasury shares								(646)
Disposal of treasury shares								74
Purchase of shares of consolidated subsidiaries								–
Change in ownership interest of parent due to transactions with non-controlling interests								1,081
Net changes in items other than shareholders' equity	(6,285)	(1,276)	9,208	50	1,697	(53)	1,227	2,871
Total changes during period	(6,285)	(1,276)	9,208	50	1,697	(53)	1,227	29,442
Balance at end of period	¥ 38,547	¥ (3,932)	¥ 5,509	¥ (0)	¥ 40,124	¥ 650	¥ 40,754	¥ 374,239

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
Purchase of shares of consolidated subsidiaries		(2,676)			(2,676)
Change in ownership interest of parent due to transactions with non-controlling interests					–
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					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	¥ 31,650	¥ (798)	¥ (435)	¥ (163)	¥ 30,253	¥ 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
Purchase of shares of consolidated subsidiaries								(2,676)
Change in ownership interest of parent due to transactions with non-controlling interests								–
Net changes in items other than shareholders' equity	13,182	(1,857)	(3,263)	112	8,173	(60)	4,341	12,454
Total changes during period	13,182	(1,857)	(3,263)	112	8,173	(60)	4,341	32,977
Balance at end of period	¥ 44,833	¥ (2,656)	¥ (3,698)	¥ (50)	¥ 38,427	¥ 704	¥ 39,527	¥ 344,796

FY2021 (From April 1, 2021 to March 31, 2022) (Thousands of U.S. dollars) (Note I)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$ 86,040	\$ 50,630	\$ 2,053,105	\$ (15,622)	\$ 2,174,153
Changes during period					
Dividends of surplus			(63,920)		(63,920)
Profit attributable to owners of parent			276,828		276,828
Purchase of treasury shares				(5,281)	(5,281)
Disposal of treasury shares			(172)	779	607
Purchase of shares of consolidated subsidiaries					–
Change in ownership interest of parent due to transactions with non-controlling interests		8,834			8,834
Net changes in items other than shareholders' equity					
Total changes during period	–	8,834	212,736	(4,502)	217,068
Balance at end of period	\$ 86,040	\$ 59,464	\$ 2,265,841	\$ (20,124)	\$ 2,391,221

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

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	\$ 366,255	\$ (21,699)	\$ (30,218)	\$ (414)	\$ 313,924	\$ 5,752	\$ 322,910	\$ 2,816,738
Changes during period								
Dividends of surplus								(63,920)
Profit attributable to owners of parent								276,828
Purchase of treasury shares								(5,281)
Disposal of treasury shares								607
Purchase of shares of consolidated subsidiaries								–
Change in ownership interest of parent due to transactions with non-controlling interests								8,834
Net changes in items other than shareholders' equity	(51,348)	(10,427)	75,228	414	13,867	(435)	10,027	23,459
Total changes during period	(51,348)	(10,427)	75,228	414	13,867	(435)	10,027	240,527
Balance at end of period	\$ 314,906	\$ (32,125)	\$ 45,011	\$ (1)	\$ 327,791	\$ 5,316	\$ 332,937	\$ 3,057,265

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 I)
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Cash flows from operating activities			
Profit before income taxes	¥ 52,595	¥ 47,960	\$ 429,666
Depreciation of assets for lease	46,175	41,128	377,219
Loss on retirement of assets for lease and cost of property for lease sales	152,268	26,442	1,243,922
Depreciation of other operating assets	2,522	2,623	20,607
Depreciation	2,336	2,398	19,089
Amortization of goodwill	1,405	1,326	11,480
Impairment losses	642	1	5,246
Increase (decrease) in allowance for doubtful accounts	(406)	(128)	(3,325)
Increase (decrease) in provision for bonuses and bonuses for directors (and other officers)	8	(24)	70
Increase (decrease) in provision for future lease payments	0	0	1
Increase (decrease) in provision for retirement benefits for directors (and other officers)	5	(2)	44
Increase (decrease) in provision for share awards for directors (and other officers)	177	125	1,448
Increase (decrease) in provision for maintenance costs	(94)	(6)	(769)
Increase (decrease) in provision for loss on guarantees	(121)	(187)	(996)
Increase (decrease) in retirement benefit liability	46	(750)	377
Loss (gain) on valuation of short-term and long-term investment securities	357	1	2,924
Interest and dividend income	(2,345)	(2,047)	(19,164)
Capital costs and interest expenses	10,155	10,432	82,960
Loss (gain) on investments in investment partnerships and silent partnerships	(228)	(85)	(1,864)
Share of loss (profit) of entities accounted for using equity method	(3,293)	(1,684)	(26,908)
Loss (gain) on sale of short-term and long-term investment securities	(840)	(2)	(6,868)
Loss (gain) on disposal of non-current assets	40	35	331
Subsidy income	–	(727)	–
Loss on tax purpose reduction entry of non-current assets	–	727	–
Decrease (increase) in installment receivables	17,555	19,027	143,414
Net decrease (increase) in lease receivables and investments in leases	90,527	69,314	739,542
Decrease (increase) in accounts receivable - lease	7,307	(1,747)	59,698
Decrease (increase) in operating loans	(3,678)	(3,007)	(30,049)
Decrease (increase) in accounts receivable - other loans to customers	3,449	(7,436)	28,177
Decrease (increase) in investment securities for sale	(39,812)	(48,372)	(325,237)
Purchase of assets for lease	(220,598)	(145,886)	(1,802,128)
Purchase of other operating assets	(4,821)	(317)	(39,386)
Decrease (increase) in retirement benefit asset	(23)	3	(192)
Decrease (increase) in distressed receivables	18	43	151
Decrease (increase) in guarantee deposits	4,302	(198)	35,145
Increase (decrease) in trade payables	1,265	(15,551)	10,339
Increase (decrease) in lease liabilities	(3,873)	(8,225)	(31,643)
Increase (decrease) in guarantee deposits received	3,420	4,018	27,940
Other, net	(1,315)	(7,996)	(10,746)
Subtotal	115,128	(18,776)	940,514
Interest and dividends received	2,706	2,332	22,112
Interest paid	(10,209)	(10,086)	(83,408)
Income taxes refund (paid)	(18,650)	(9,277)	(152,364)
Subsidies received	–	727	–
Net cash provided by (used in) operating activities	88,974	(35,080)	726,854

	Notes	Millions of yen		Thousands of U.S. dollars (Note I)
		FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Cash flows from investing activities				
Purchase of own-used assets		(2,179)	(4,177)	(17,804)
Purchase of investment securities		(12,163)	(2,222)	(99,369)
Proceeds from sale and redemption of investment securities		1,543	194	12,612
Purchase of shares of subsidiaries resulting in change in scope of consolidation	2	(3,589)	—	(29,321)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	—	302	—
Other, net		718	(67)	5,871
Net cash provided by (used in) investing activities		(15,669)	(5,970)	(128,010)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(1,850)	35,384	(15,113)
Repayments of short-term borrowings		—	(54,272)	—
Net increase (decrease) in commercial papers		(99,200)	19,500	(810,391)
Proceeds from long-term borrowings		353,067	390,069	2,884,304
Repayments of long-term borrowings		(336,531)	(342,902)	(2,749,213)
Net increase (decrease) in payables under securitization of lease receivables		(700)	1,200	(5,718)
Proceeds from securitization of lease receivables		42	20,672	349
Repayments of payables under securitization of lease receivables		(42,054)	(46,180)	(343,555)
Proceeds from issuance of bonds		64,530	70,405	527,166
Redemption of bonds		(30,000)	(20,000)	(245,078)
Purchase of treasury shares		(646)	(0)	(5,281)
Proceeds from disposal of treasury shares		74	98	607
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		—	(3,440)	—
Dividends paid		(7,824)	(6,466)	(63,920)
Dividends paid to non-controlling interests		(288)	(366)	(2,354)
Other, net		(154)	(296)	(1,266)
Net cash provided by (used in) financing activities		(101,534)	63,405	(829,465)
Effect of exchange rate change on cash and cash equivalents		1,433	(484)	11,714
Net increase (decrease) in cash and cash equivalents		(26,796)	21,869	(218,906)
Cash and cash equivalents at beginning of period		98,753	77,416	806,743
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		—	(532)	—
Cash and cash equivalents at end of period	1	¥ 71,957	¥ 98,753	\$ 587,837

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 ¥122.41 to US\$1.00, in effect at March 31, 2022, 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: 59 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, 2022, the Company made additional acquisitions of shares in NIHON CREDIT LEASE CORPORATION and excluded it from the scope of application of the equity method, while including it in the scope of consolidation. However, due to an absorption-type merger with the Company as the surviving company, NIHON CREDIT LEASE CORPORATION is excluded from the scope of consolidation. WorkVision Corporation is included in the scope of consolidation due to the acquisition of 100.00% of its issued shares.

(2) Non-consolidated subsidiaries

Reason for exclusion from the scope of consolidation

Among the non-consolidated subsidiaries, 147 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: 13 associates

Names of significant associates:

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

In the fiscal year ended March 31, 2022, the Company made additional acquisitions of shares in NIHON CREDIT LEASE CORPORATION and excluded it from the scope of application of the equity method, while including it in the scope of consolidation. However, due to an absorption-type merger with the Company as the surviving company, NIHON CREDIT LEASE CORPORATION is excluded from the scope of consolidation.

(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, 147 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 12 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
- Securities other than shares without a market price, etc.
- Fair value method based on market price, etc. on the consolidated balance sheet date
- 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.
- Shares without a market price, etc.
- 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 | 2 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 ¥5,393 million (U.S.\$44,059 thousand) in the fiscal year ended March 31, 2022 and ¥3,098 million in the fiscal year ended March 31, 2021.

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 three of the Company’s domestic consolidated subsidiaries amortize them by the straight-line method over a period (5 to 11 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.

3) Accounting policy for revenue from sale of leased properties

Recorded as sales revenue when leased properties are delivered to the customer and the performance obligation is satisfied.

(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, currency swaps and forward exchange contracts |
| (b) Hedged items | Borrowings and forecast transactions in foreign currencies, etc. |

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.

II. Significant accounting estimates

Of the accounting estimates made in preparing the consolidated financial statements for the fiscal year ended March 31, 2022, 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

FY2021: ¥671,643 million (U.S.\$5,486,832 thousand)

FY2020: ¥632,299 million

(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

Application of Accounting Standard for Revenue Recognition

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter, “Revenue Recognition Accounting Standard”), has been applied from the beginning of the fiscal year ended March 31, 2022, and revenue is recognized when control of a promised goods or services is transferred to the customer, in the amount expected to be received in exchange for the goods or services. As a result, for some transactions, the total amount of the consideration received from customers was previously recognized as revenue, but for transactions in which the Group acts as an agent in providing goods or services to customers, revenue is recognized as a net amount obtained by deducting the amount paid to the supplier from the amount received from the customer.

The application of the Revenue Recognition Accounting Standard follows the transitional treatment stipulated in the proviso to paragraph 84 of the Revenue Recognition Accounting Standard, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022, is treated as an adjustment to retained earnings at the beginning of the fiscal year ended March 31, 2022, and thus the new accounting policy is applied from such beginning balance.

As a result, net sales and cost of sales for the fiscal year ended March 31, 2022 each decreased by ¥140,931 million (U.S.\$1,151,304 thousand). Additionally, there is no effect on the beginning balance of retained earnings.

Note that in accordance with the transitional treatment as prescribed in paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on “Revenue Recognition” for the previous fiscal year have not been stated.

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

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter, “Fair Value Measurement Accounting Standard”) has been applied from the beginning of the fiscal year ended March 31, 2022, and in accordance with the transitional treatment stipulated in paragraph 19 of Fair Value Measurement Accounting Standard and paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The new accounting policy stipulated by the Fair Value Measurement Accounting Standard has been applied prospectively. As a result, for available-for-sale securities whose market value is used as the balance sheet amount, the Company previously used the value calculated based on the average market price during one month before the consolidated balance sheet date, but has changed to using the market price on the consolidated balance sheet date.

In addition, the notes on “Financial instruments” include notes on matters concerning the breakdown of financial instruments by fair value level and other matters. However, in accordance with the transitional treatment provided for in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019) such notes for the previous fiscal year have not been stated.

IV. New accounting standards and implementation guidances not yet applied

New accounting standards and implementation guidances not yet applied

- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, Accounting Standards Board of Japan) was revised on June 17, 2021. When the Guidance was first announced on July 4, 2019, as the review of “fair value measurement of investment trusts” was considered to take a certain period of time for the deliberation with related parties and as the notes on fair values of “investments in partnerships for which an amount equivalent to the interest is carried on the balance sheet at net amount” required a certain review, the Guidance mentioned that those reviews would be implemented for approximately one year after the announcement of the “Accounting Standard for Fair Value Measurement.” Now those points for review were amended and the revised Guidance was announced.

(2) Scheduled date of adoption

Effective from the beginning of the fiscal year ending March 31, 2023.

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

The amounts that affect the consolidated financial statements by adopting the “Implementation Guidance on Accounting Standard for Fair Value Measurement” are insignificant.

V. 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 ¥1,254 million (U.S.\$10,248 thousand) and 177,100 shares as of March 31, 2022 and ¥642 million and 96,700 shares as of March 31, 2021.

(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, 2022, 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, although a gradual recovery is expected as economic and social activities move toward normalization, we anticipate that the situation will remain highly uncertain and 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.

VI. 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, 2022	As of March 31, 2021	As of March 31, 2022
Assets for lease	¥ 167,973	¥ 199,960	\$ 1,372,217
Other operating assets	12,423	10,072	101,492
Own-used assets	2,620	1,985	21,406

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Operational investment securities (other)	¥ 1,300	¥ 500	\$ 10,620
Investment securities (shares)	29,095	25,531	237,687
(of which investment in joint ventures)	(27,874)	(24,347)	(227,715)
Investment securities (other)	13,388	3,802	109,370

*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, 2022	As of March 31, 2021	As of March 31, 2022
Cash and deposits	¥ 3,122	¥ 3,084	\$ 25,512
Installment receivables	555	678	4,535
Lease receivables and investments in leases	13,770	15,133	112,494
Accounts receivable - other loans to customers	3,427	3,519	27,997
Accounts receivable - lease	106	92	873
Operating lease and other contract receivables	10,021	2,163	81,872
Assets for lease (property, plant and equipment)	52,327	65,306	427,476
Other operating assets (property, plant and equipment)	18,565	19,746	151,665
Total	¥ 101,897	¥ 109,725	\$ 832,425

Note: Besides the above assets pledged as collateral, the Company provided investment securities (¥602 million (U.S.\$4,919 thousand) in the fiscal year ended March 31, 2022, ¥612 million in the fiscal year ended March 31, 2021) as third party security for bank loans taken out by business partners. The Company maintains deposits of investment securities (¥3 million (U.S.\$25 thousand) and ¥3 million as of March 31, 2022 and March 31, 2021, respectively) for the purpose of sales transactions.

(2) Liabilities secured by collateral

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Other (current liabilities)	¥ 6	¥ 19	\$ 56
Long-term borrowings (current portion included)	70,404	80,752	575,150
Long-term payables under securitization of lease receivables (current portion included)	68	109	559
Total	¥ 70,479	¥ 80,881	\$ 575,766

*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, 2022	As of March 31, 2021	As of March 31, 2022
Total loan commitments	¥ 3,055	¥ 2,915	\$ 24,957
Balance of loans extended	1,450	1,295	11,845
Difference	¥ 1,605	¥ 1,620	\$ 13,112

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 77 correspondent financial institutions, etc. (74 in the fiscal year ended March 31, 2021) for the efficient procurement of working capital. The unused balance, etc. at the end of the fiscal years ended March 31, 2022 and 2021 based on these agreements was as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Upper limit on overdrafts and total loan commitments	¥ 1,033,097	¥ 1,003,822	\$ 8,439,645
Balance of borrowings drawn	522,819	508,983	4,271,048
Difference	¥ 510,278	¥ 494,839	\$ 4,168,597

*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, 2022	As of March 31, 2021	As of March 31, 2022
Mizuho Bank, Ltd. (Note)	¥ 41,895	¥ 16,898	\$ 342,258
Pacific Rim Capital, Inc.	4,957	2,863	40,497
IBM Japan, Ltd. (Note)	1,625	3,629	13,277
Sumitomo Realty & Development Co., Ltd. (Note)	1,272	1,272	10,394
AEON Mall Co., Ltd.	1,100	1,152	8,992
JAPAN SECURITIZATION CORPORATION (Note)	1,006	943	8,219
MaruzenJunkudo Bookstores Co., Ltd. (Note)	767	307	6,269
XYMAX TOKAI Corporation (Note)	673	—	5,501
AEON RETAIL CO., LTD.	570	681	4,659
Sumitomo Mitsui Trust Bank, Limited (Note)	499	499	4,084
XYMAX Corporation (Note)	224	588	1,838
Marubeni Fuyo Auto Investment (CANADA)	—	1,975	—
FANTASTIC FUNDING CORPORATION (Note)	—	1,551	—
MONEY PARTNERS CO., LTD.	—	399	—
Employees (funds for purchasing housing)	3	8	32
Others (830 in the fiscal year ended March 31, 2022, 870 in the fiscal year ended March 31, 2021)	24,303	27,839	198,541
Total	¥ 78,900	¥ 60,611	\$ 644,562

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 ¥31,777 million (U.S.\$259,597 thousand) as of March 31, 2022 and ¥39,296 million as of March 31, 2021.

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Current portion of long-term non-recourse borrowings	¥ 3,176	¥ 9,496	\$ 25,948
Long-term non-recourse borrowings	31,340	29,630	256,029
Total	¥ 34,516	¥ 39,126	\$ 281,977

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Accounts receivable - other loans to customers	¥ 35,077	¥ 34,928	\$ 286,554
Assets for lease (property, plant and equipment)	—	5,674	—
Total	¥ 35,077	¥ 40,603	\$ 286,554

***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 ¥76,934 million (U.S.\$628,502 thousand) in the fiscal year ended March 31, 2022 and ¥121,497 million in the fiscal year ended March 31, 2021.

VII. Notes for consolidated statements of income

***1 Revenue from contracts with customers**

Net sales are not categorized separately and stated as revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is disclosed in the consolidated financial statements in Note XXI. “Revenue recognition, 1. Information on disaggregation of revenue from contracts with customers.”

***2 Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2021, were as follows:**

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Provision of allowance for doubtful accounts	¥ 2,620	¥ 1,355	\$ 21,405
Bad debts expenses	378	474	3,092
Employees’ salaries, allowances and bonuses	14,949	14,102	122,128
Provision for bonuses	2,802	2,261	22,897
Provision for bonuses for directors (and other officers)	200	181	1,636
Retirement benefit expenses	975	165	7,965
Provision for retirement benefits for directors (and other officers)	43	36	358
Provision for share awards for directors (and other officers)	229	178	1,874
Welfare expenses	3,425	3,219	27,984
Rent expenses	2,384	2,151	19,479
Depreciation	2,336	2,398	19,089
Amortization of goodwill	1,405	1,326	11,480

***3 Impairment losses**

The Group recorded impairment losses for the following asset groups:

FY2021 (From April 1, 2021 to March 31, 2022)

Location	Use	Type	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Ireland	Assets for lease	Transportation equipment (aircraft)	¥ 2,048	\$ 16,734
Chiyoda-ku, Tokyo	Other intangible assets	Customer-related assets	641	5,239
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	0	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.

In regard to the above transportation equipment (aircraft), the expected future cash flow have declined for one overseas consolidated subsidiary, so the book value of the assets for lease whose profitability has declined is written down to the recoverable amount, and the impairment loss is stated as cost of sales. Further, the recoverable amount of such assets is calculated from the net sales value or the value in use. In the case of using net sales value, the amount is based on the assessed value reasonably calculated by a third-party, and in the case of using value in use, the amount is calculated by the future cash flows discounted at a rate of 2.62% to 4.75%.

In regard to the customer-related assets, there are no longer expectations for revenue from some existing customers that were anticipated at the time of acquisition of shares for one domestic consolidated subsidiary, so the value in use is evaluated at zero and deducted from the book value. The amount of such reduction in assets is recorded in extraordinary losses as an impairment loss.

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.

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

Location	Use	Type	Amount (Millions of yen)
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	¥ 1

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.

***4 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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Buildings	¥ 11	¥ 7	\$ 90
Equipment	13	13	110
Leased assets	9	8	81
Software	6	7	50
Total	¥ 40	¥ 35	\$ 331

VIII. 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	
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)	
Valuation difference on available-for-sale securities:				
Gains or losses arising during the year	¥ (8,355)	¥ 18,434	\$ (68,262)	
Reclassification adjustments to profit or loss	(717)	(414)	(5,859)	
Amount before income tax effect	(9,073)	18,020	(74,121)	
Income tax effect	2,775	(5,525)	22,673	
Valuation difference on available-for-sale securities	¥ (6,297)	¥ 12,494	\$ (51,448)	
Deferred gains or losses on hedges:				
Gains or losses arising during the year	(1,449)	(2,236)	(11,839)	
Reclassification adjustments to profit or loss	415	313	3,390	
Amount before income tax effect	(1,034)	(1,923)	(8,448)	
Income tax effect	291	94	2,381	
Deferred gains or losses on hedges	¥ (742)	¥ (1,829)	\$ (6,067)	
Foreign currency translation adjustment:				
Gains or losses arising during the year	7,910	(3,593)	64,623	
Foreign currency translation adjustment	¥ 7,910	¥ (3,593)	\$ 64,623	
Remeasurements of defined benefit plans, net of tax:				
Gains or losses arising during the year	44	140	368	
Reclassification adjustments to profit or loss	(5)	38	(42)	
Amount before income tax effect	39	179	326	
Income tax effect	(13)	(55)	(110)	
Remeasurements of defined benefit plans, net of tax	¥ 26	¥ 124	\$ 216	
Share of other comprehensive income of entities accounted for using equity method:				
Gains or losses arising during the year	771	1,018	6,299	
Reclassification adjustments to profit or loss	37	4	308	
Share of other comprehensive income of entities accounted for using equity method	¥ 808	¥ 1,023	\$ 6,607	
Total other comprehensive income	¥ 1,705	¥ 8,218	\$ 13,931	

IX. Notes for consolidated statements of changes in equity

FY2021 (From April 1, 2021 to March 31, 2022)

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)	290,885	85,572	14,500	361,957
Total	290,885	85,572	14,500	361,957

Notes: 1. The number of common shares in treasury shares at the end of the year includes the 177,100 of the Company's shares held by the Board Benefit Trust (BBT).
2. The 85,572 increase in the number of common shares in treasury shares is due to an increase of 85,500 shares through the acquisition of treasury shares by the Board Benefit Trust (BBT) and an increase of 72 shares through the acquisition of fractional unit shares.
3. The 14,500 decrease in the number of common shares in treasury shares was a 9,400 decrease due to the exercise of stock options and a 5,100 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)	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	—	—	—	—	—	¥ 650	\$ 5,316

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, 2021 Annual General Meeting of Shareholders	Common shares	¥ 3,912	¥ 130	March 31, 2021	June 24, 2021
November 5, 2021 Board of Directors	Common shares	3,912	130	September 30, 2021	December 6, 2021

Notes: 1. Total amount of cash dividends which resolved at Annual General Meeting of Shareholders held on June 23, 2021, include cash dividends of ¥12 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 5, 2021, include cash dividends of ¥11 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, 2022 Annual General Meeting of Shareholders	Common shares	¥ 4,665	Retained earnings	¥ 155	March 31, 2022	June 24, 2022

(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, 2022 Annual General Meeting of Shareholders	Common shares	\$ 38,117	Retained earnings	\$ 1.27	March 31, 2022	June 24, 2022

Note: Total amount of cash dividends include cash dividends of ¥27 million (U.S.\$224 thousand) for the Company's shares held by Board Benefit Trust (BBT).

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)
			Beginning of the year	Increase	Decrease	End of the year	
Reporting company (parent company)	Share acquisition rights as stock options	–	–	–	–	–	¥ 704

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

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

X. 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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Cash and deposits	¥ 72,157	¥ 98,926	\$ 589,476
Time deposits with maturity of over three months	(200)	(172)	(1,639)
Cash and cash equivalents	¥ 71,957	¥ 98,753	\$ 587,837

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

FY2021 (From April 1, 2021 to March 31, 2022)

The following includes the breakdown of assets and liabilities at the time of consolidation as a result of the additional acquisition of shares of NIHON CREDIT LEASE CORPORATION which had been an entity accounted for using equity method, and the relation between the acquisition cost of shares and net consideration paid for the acquisition (net price).

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 9,829	\$ 80,300
Non-current assets	9	77
Goodwill	21	175
Current liabilities	(8,416)	(68,758)
Non-current liabilities	(1)	(13)
Valuation difference	(21)	(175)
Acquisition cost of shares	1,420	11,606
Acquisition cost up until the time control was obtained	(429)	(3,505)
Loss on step acquisitions	2	23
Acquisition cost of additionally acquired shares	994	8,124
Cash and cash equivalents	(39)	(321)
Difference: net consideration paid for acquisition	¥ 955	\$ 7,803

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of WorkVision Corporation, and the relation between the acquisition cost of shares and net consideration paid for acquisition (net price).

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,328	\$ 43,534
Non-current assets	1,427	11,664
Goodwill	1,900	15,526
Current liabilities	(2,662)	(21,748)
Non-current liabilities	(2,267)	(18,521)
Valuation difference	971	7,940
Acquisition cost of shares	4,700	38,396
Cash and cash equivalents	(2,066)	(16,878)
Difference: net consideration paid for acquisition	¥ 2,633	\$ 21,517

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
Current assets	¥ 93,168
Non-current assets	14,054
Goodwill	295
Current liabilities	(102,087)
Non-current liabilities	(7)
Non-controlling interests	(2,122)
Acquisition cost of shares	3,300
Cash and cash equivalents	(3,602)
Difference: net consideration provided for acquisition	¥ (302)

XI. 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 required under non-cancellable operating leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Within one year	¥ 610	¥ 550	\$ 4,985
Over one year	959	1,412	7,840
Total	¥ 1,569	¥ 1,962	\$ 12,825

As lessor

1. Finance leases

(1) Breakdown of investments in leases

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Lease receivables	¥ 938,940	¥ 991,818	\$ 7,670,454
Estimated residual value	18,216	19,389	148,812
Future interest income	(108,680)	(114,018)	(887,844)
Investments in leases	¥ 848,475	¥ 897,190	\$ 6,931,421

(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, 2022					
	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	¥ 49,858	¥ 45,367	¥ 26,268	¥ 18,502	¥ 15,889	¥ 28,465
Investments in leases	296,135	189,019	132,196	97,788	55,352	168,447

(Thousands of U.S. dollars)

	As of March 31, 2022					
	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	\$ 407,309	\$ 370,615	\$ 214,595	\$ 151,156	\$ 129,807	\$ 232,540
Investments in leases	2,419,211	1,544,155	1,079,950	798,859	452,186	1,376,093

(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

(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, 2022 and 2021 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, 2022	As of March 31, 2021	As of March 31, 2022
Within one year	¥ 60,926	¥ 58,140	\$ 497,722
Over one year	296,322	268,800	2,420,738
Total	¥ 357,248	¥ 326,941	\$ 2,918,460

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, 2022	As of March 31, 2021	As of March 31, 2022
Lease receivables and investments in leases	¥ 7,463	¥ 12,243	\$ 60,975
Lease liabilities (current liabilities)	9,888	14,600	80,784

XII. 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 liabilities, 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. Furthermore, 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 ¥4,042 million (U.S.\$33,022 thousand) for the fiscal year ended March 31, 2022 and a change of ¥3,892 million for the fiscal year ended March 31, 2021 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

Because calculations of fair values of financial instruments 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. Note that shares without a market price, etc. and investments in partnerships, etc. are not included in the following table (See (Note)). In addition, cash and deposits, short-term borrowings, commercial papers and payables under securitization of lease receivables are omitted from the notes because their fair value are close to their book value due to being settled in a short period of time.

As of March 31, 2022

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	¥ 65,802	¥ 66,358	¥ 556
(2) Lease receivables and investments in leases*2	1,018,101	1,063,189	45,088
(3) Operating loans*2	315,915	317,850	1,935
(4) Operational investment securities and investment securities			
Other securities	252,407	252,407	–
Total assets	¥ 1,652,226	¥ 1,699,806	¥ 47,580
(1) Lease liabilities (current liabilities and non-current liabilities)	¥ 11,357	¥ 11,357	¥ –
(2) Bonds payable (current portion included)	257,137	255,693	(1,443)
(3) Long-term borrowings (current portion included)	1,108,416	1,116,617	8,200
(4) Long-term payables under securitization of lease receivables (current portion included)	31,706	31,695	(10)
Total liabilities	¥ 1,408,618	¥ 1,415,365	¥ 6,746
Derivatives*3			
(i) Hedge accounting not applied	¥ –	¥ –	¥ –
(ii) Hedge accounting applied	(380)	963	1,343
Total derivatives	¥ (380)	¥ 963	¥ 1,343

	Thousands of U.S. dollars		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	\$ 537,556	\$ 542,102	\$ 4,546
(2) Lease receivables and investments in leases*2	8,317,143	8,685,482	368,339
(3) Operating loans*2	2,580,799	2,596,609	15,809
(4) Operational investment securities and investment securities			
Other securities	2,061,983	2,061,983	–
Total assets	\$ 13,497,481	\$ 13,886,175	\$ 388,694
(1) Lease liabilities (current liabilities and non-current liabilities)	\$ 92,783	\$ 92,783	\$ –
(2) Bonds payable (current portion included)	2,100,624	2,088,832	(11,792)
(3) Long-term borrowings (current portion included)	9,054,953	9,121,949	66,996
(4) Long-term payables under securitization of lease receivables (current portion included)	259,018	258,932	(87)
Total liabilities	\$ 11,507,378	\$ 11,562,496	\$ 55,117
Derivatives*3			
(i) Hedge accounting not applied	\$ –	\$ –	\$ –
(ii) Hedge accounting applied	(3,107)	7,868	10,974
Total derivatives	\$ (3,107)	\$ 7,868	\$ 10,974

*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, 2021

	Millions of yen		
	Book value (A)	Fair value (B)	Difference (B) - (A)
(1) Installment receivables*1,2	¥ 83,386	¥ 84,536	¥ 1,149
(2) Lease receivables and investments in leases*2	1,079,217	1,138,436	59,219
(3) Operating loans*2	305,953	310,558	4,604
(4) Operational investment securities and investment securities			
Other securities	248,671	248,671	–
Total assets	¥ 1,717,229	¥ 1,782,202	¥ 64,973
(1) Lease liabilities(current liabilities and non-current liabilities)	¥ 15,733	¥ 15,733	¥ –
(2) Bonds payable(current portion included)	221,072	221,570	498
(3) Long-term borrowings (current portion included)	1,074,278	1,083,061	8,783
(4) Long-term payables under securitization of lease receivables (current portion included)	70,757	70,766	9
Total liabilities	¥ 1,381,841	¥ 1,391,132	¥ 9,291
Derivatives*3			
(i) Hedge accounting not applied	¥ –	¥ –	¥ –
(ii) Hedge accounting applied	(582)	(704)	(122)
Total derivatives	¥ (582)	¥ (704)	¥ (122)

*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.

Note: The amounts of shares without a market price, etc. and investments in partnerships, etc. recorded on the consolidated balance sheet are as follows, and not included in the information on fair value of financial instruments "Assets (4) Other securities."

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Unlisted shares*1	¥ 10,058	¥ 7,271	\$ 82,171
Subsidiary's shares / associates' shares*1	42,483	29,333	347,057
Investments in limited partnerships, etc.*2	138,332	110,771	1,130,073
Total	¥ 190,874	¥ 147,376	\$ 1,559,301

*1. This equates to shares without a market price, etc., and is not subject to fair value disclosure in accordance with paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

*2. Investments in partnerships, etc. is not subject to fair value disclosure based on paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

3. Matters concerning the breakdown of financial instruments by fair value level and other matters.

The fair value of financial instruments is categorized by the following three levels according to the observability and materiality of inputs used in calculating fair value.

Level 1 fair value: Fair value calculated from (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated directly or indirectly using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

If multiple inputs that materially affect the measurement of fair value are used, the fair value is categorized into the lowest priority level in fair value measurement among the levels of those inputs.

(1) Financial assets and financial liabilities recorded on the consolidated balance sheet at fair value

As of March 31, 2022

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	¥ –	¥ 108,665	¥ 5,836	¥ 114,501
Preferred securities / beneficial interest in trusts, etc.	–	–	5,597	5,597
Investment securities				
Shares	68,358	–	–	68,358
Derivatives				
Interest rate-related	–	97	–	97
Total assets	¥ 68,358	¥ 108,762	¥ 11,434	¥ 188,555
Derivatives	¥	¥	¥	¥
Interest rate-related	–	452	–	452
Foreign currency-related derivatives	–	25	–	25
Total liabilities	¥ –	¥ 478	¥ –	¥ 478

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Bonds payable	\$ –	\$ 887,715	\$ 47,683	\$ 935,397
Preferred securities / beneficial interest in trusts, etc.	–	–	45,726	45,726
Investment securities				
Shares	558,436	–	–	558,436
Derivatives				
Interest rate-related	–	799	–	799
Total assets	\$ 558,436	\$ 888,513	\$ 93,409	\$ 1,540,359
Derivatives	\$	\$	\$	\$
Interest rate-related	–	3,698	–	3,698
Foreign currency-related derivatives	–	207	–	207
Total liabilities	\$ –	\$ 3,905	\$ –	\$ 3,905

(*) Investment trusts, etc. to which transitional measures have been applied in accordance with Article 5, paragraph 6 of the Supplementary Provisions of "Cabinet Office Order Partially Amending the Regulation on Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Order No. 9 of March 6, 2020) are not included in the above table. The amount of investment trusts, etc. on the consolidated balance sheet is ¥63,949 million (U.S.\$522,423 thousand).

(2) Financial assets and financial liabilities not recorded on the consolidated balance sheet at fair value
As of March 31, 2022

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	¥ –	¥ –	¥ 66,358	¥ 66,358
Lease receivables and investments in leases	–	–	1,063,189	1,063,189
Operating loans	–	–	317,850	317,850
Derivatives				
Interest rate-related	–	1,343	–	1,343
Total assets	¥ –	¥ 1,343	¥ 1,447,399	¥ 1,448,742
Lease liabilities	¥ –	¥ 11,357	¥ –	¥ 11,357
Bonds payable	–	255,693	–	255,693
Long-term borrowings	–	1,116,617	–	1,116,617
Long-term payables under securitization of lease receivables	–	31,695	–	31,695
Derivatives				
Interest rate-related	–	0	–	0
Total liabilities	¥ –	¥ 1,415,365	¥ –	¥ 1,415,365

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Installment receivables	\$ –	\$ –	\$ 542,102	\$ 542,102
Lease receivables and investments in leases	–	–	8,685,482	8,685,482
Operating loans	–	–	2,596,609	2,596,609
Derivatives				
Interest rate-related	–	10,976	–	10,976
Total assets	\$ –	\$ 10,976	\$ 11,824,192	\$ 11,835,168
Lease liabilities	\$ –	\$ 92,783	\$ –	\$ 92,783
Bonds payable	–	2,088,832	–	2,088,832
Long-term borrowings	–	9,121,949	–	9,121,949
Long-term payables under securitization of lease receivables	–	258,932	–	258,932
Derivatives				
Interest rate-related	–	1	–	1
Total liabilities	\$ –	\$ 11,562,497	\$ –	\$ 11,562,497

Notes:

1. Explanation of evaluation techniques and inputs used in calculating fair value

Operational investment securities and investment securities

Operational investment securities and investment securities for which there are published market prices such as the stock exchange price or prices provided by relevant financial institutions or information vendors, where the unadjusted market prices in active markets can be used, are categorized as Level 1 fair value. This mainly includes listed shares.

If the market is not active, even if using published market prices, the items are categorized as Level 2 fair value. This mainly includes bonds payable.

Investment trusts are not classified by level due to the transitional measures in accordance with paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, and the published standard price and price indicated by relevant financial and other institutions are taken to be the fair value.

If the market price cannot be obtained, fair value is calculated by discounting total principal and interest, etc. by a rate calculated based on an internal rating. Since significant unobservable inputs are used in the calculation, these are categorized as Level 3 fair value.

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.

Since the impact on the inputs that cannot be observed is material for all fair values, these are categorized as Level 3 fair value.

Lease receivables and investments in leases

Fair 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. 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.

Since the impact on unobservable inputs is material for all fair values, these are categorized as Level 3 fair value.

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.

Since the impact on unobservable inputs is material for all fair values, these are categorized as Level 3 fair value.

Lease liabilities

To calculate the fair values of lease liabilities, 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.

Since the impact on unobservable inputs is immaterial, these are categorized as Level 2 fair value.

Bonds payable (current portion included), Long-term borrowings (current portion included), 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.

Since the impact on unobservable inputs is immaterial for all fair values, these are categorized as Level 2 fair value.

Derivatives

Derivatives are over-the-counter (OTC) transactions, and calculated based on the price indicated by relevant financial institutions, etc. The main inputs used in these evaluation techniques are interest rates and foreign exchange rates, etc. Since observable inputs are used, their fair value is categorized as Level 2 fair value.

2. Information concerning Level 3 fair value for financial instruments recorded on the consolidated balance sheet at fair value

(1) Quantitative information concerning significant unobservable inputs

As of March 31, 2022

Category	Evaluation technique	Significant unobservable inputs	Scope of inputs
Operational investment securities			
Bonds payable	Discounted present value method	Discount rate	2.00%
Preferred securities / beneficial interest in trusts, etc.	Discounted present value method	Discount rate	5.60% - 11.49%

(2) Reconciliation from the balance at beginning of year to the balance at end of year, unrealized gain and loss recognized in profit and loss for the period

As of March 31, 2022

	Millions of yen							
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period
		Recorded in profit and loss	Recorded in other comprehensive income (*1)					
Operational investment securities								
Bonds payable	¥ 5,000	¥ –	¥ 36	¥ 800	¥ –	¥ –	¥ 5,836	¥ –
Preferred securities / beneficial interest in trusts, etc.	3,403	–	437	1,756	–	–	5,597	–
Total	¥ 8,403	¥ –	¥ 474	¥ 2,556	¥ –	¥ –	¥ 11,434	¥ –

	Thousands of U.S. dollars							
	Beginning of year	Profit and loss or other comprehensive income for the period		Net amounts of purchase, sale, issuance and settlement	Transfers to Level 3 fair value (*2)	Transfers from Level 3 fair value (*3)	End of year	Unrealized gains and losses on financial assets and financial liabilities held on the consolidated balance sheet date among the amount recorded to gains and losses for the period
		Recorded in profit and loss	Recorded in other comprehensive income (*1)					
Operational investment securities								
Bonds payable	\$ 40,846	\$ –	\$ 301	\$ 6,535	\$ –	\$ –	\$ 47,683	\$ –
Preferred securities / beneficial interest in trusts, etc.	27,803	–	3,577	14,346	–	–	45,726	–
Total	\$ 68,650	\$ –	\$ 3,878	\$ 20,882	\$ –	\$ –	\$ 93,409	\$ –

*1. Included in "valuation difference on available-for-sale securities" under "other comprehensive income" in the consolidated statement of comprehensive income.

*2. There were no transfers from Level 2 fair value to Level 3 fair value during the fiscal year. Note that in the case of a transfer, such transfer occurs on the final day of the accounting period.

*3. There were no transfers from Level 3 fair value to Level 2 fair value during the fiscal year. Note that in the case of a transfer, such transfer occurs on the final day of the accounting period.

(3) Explanation of the fair value valuation process

The Group defines policies and procedures concerning the calculation of fair value in its accounting division and calculates fair value in that division in line with such policies and procedures. The calculated fair value is verified at the accounting division or the stand-alone finance division on the validity of the evaluation technique and inputs used in calculating fair value and the appropriateness of the categorization of fair value level.

When calculating fair value, a valuation model that can most appropriately reflect the nature, special characteristics and risk of the individual assets is applied. In addition, if using a market price obtained from a third-party, the evaluation technique and inputs used are confirmed and the validity of the price is verified by appropriate methods such as monthly trends analysis.

(4) Explanation concerning the impact on fair value if the significant unobservable inputs are changed

The discount rate, which is a significant unobservable inputs used in calculating fair value of items such as corporate bonds, is an adjustment rate relative to standard market interest rates such as TIBOR and swap rates. It mainly comprises the risk premium, which is the compensation required by market participants for the uncertainty of cash flows from financial instruments derived from credit risk. In general, a pronounced rise (fall) in the discount rate causes a pronounced fall (rise) in fair value.

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

As of March 31, 2022

	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	¥ 72,157	¥ –	¥ –	¥ –
Installment receivables	29,304	33,073	2,609	1,890
Lease receivables and investments in leases	314,971	534,633	115,684	54,474
Operating loans	67,514	211,312	33,559	4,246
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	–	28,415	25,893	17,327
Bonds (other)	–	–	–	–
Other	22,437	107,518	23,652	18,967
Total	¥ 506,386	¥ 914,953	¥ 201,399	¥ 96,906

	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	\$ 589,476	\$ –	\$ –	\$ –
Installment receivables	239,398	270,186	21,315	15,441
Lease receivables and investments in leases	2,573,087	4,367,563	945,056	445,020
Operating loans	551,547	1,726,270	274,157	34,691
Operational investment securities and investment securities				
Other securities with maturities				
Bonds (government bonds)	–	–	–	–
Bonds (corporate bonds)	–	232,134	211,531	141,551
Bonds (other)	–	–	–	–
Other	183,299	878,347	193,227	154,948
Total	\$ 4,136,807	\$ 7,474,499	\$ 1,645,286	\$ 791,652

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

5. 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, 2022

	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	¥ 568,563	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial papers	371,000	–	–	–	–	–
Payables under securitization of lease receivables	29,400	–	–	–	–	–
Lease liabilities	4,316	3,043	1,639	749	579	1,028
Bonds payable	30,000	45,000	35,000	42,241	40,000	64,896
Long-term borrowings	328,958	296,393	199,744	117,713	69,308	96,298
Long-term payables under securitization of lease receivables	16,508	6,520	3,063	4,106	626	879
Total	¥ 1,348,747	¥ 350,957	¥ 239,447	¥ 164,810	¥ 110,515	¥ 163,103

	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	\$ 4,644,751	\$ –	\$ –	\$ –	\$ –	\$ –
Commercial papers	3,030,798	–	–	–	–	–
Payables under securitization of lease receivables	240,176	–	–	–	–	–
Lease liabilities	35,264	24,862	13,394	6,125	4,735	8,404
Bonds payable	245,078	367,617	285,924	345,078	326,771	530,156
Long-term borrowings	2,687,350	2,421,318	1,631,768	961,630	566,202	786,685
Long-term payables under securitization of lease receivables	134,866	53,268	25,027	33,548	5,121	7,189
Total	\$ 11,018,282	\$ 2,867,065	\$ 1,956,113	\$ 1,346,381	\$ 902,829	\$ 1,332,434

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	–	–	–	–	–
Payables under securitization of lease receivables	30,100	–	–	–	–	–
Lease liabilities	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	¥ 1,440,641	¥ 307,143	¥ 270,004	¥ 160,149	¥ 107,260	¥ 161,527

XIII. Securities

1. Other securities

As of March 31, 2022

	Type	Millions of yen		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	¥ 65,844	¥ 15,346	¥ 50,498
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	97,338	95,700	1,638
	3) Other	–	–	–
	(3) Other	35,213	31,636	3,576
	Subtotal	198,396	142,683	55,713
Securities whose book value does not exceed their acquisition cost	(1) Shares	2,513	2,864	(351)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	17,163	17,400	(236)
	3) Other	–	–	–
	(3) Other	34,333	35,167	(833)
	Subtotal	54,010	55,432	(1,421)
Total		¥ 252,407	¥ 198,115	¥ 54,291

	Type	Thousands of U.S. dollars		
		Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost	(1) Shares	\$ 537,902	\$ 125,370	\$ 412,532
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	795,185	781,799	13,387
	3) Other	–	–	–
	(3) Other	287,667	258,450	29,217
	Subtotal	1,620,754	1,165,619	455,135
Securities whose book value does not exceed their acquisition cost	(1) Shares	20,534	23,402	(2,868)
	(2) Bonds			
	1) Government bonds and local government bonds, etc.	–	–	–
	2) Corporate bonds	140,212	142,145	(1,933)
	3) Other	–	–	–
	(3) Other	280,483	287,293	(6,810)
	Subtotal	441,229	452,841	(11,612)
Total		\$ 2,061,983	\$ 1,618,460	\$ 443,523

Note: Unlisted shares, etc. (Book value ¥148,390 million (U.S.\$1,212,244 thousand)) are not included in the above “Other securities” because their market values are not available.

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	12,805	12,928	(123)
	Subtotal	22,620	23,074	(454)
Total		¥ 248,671	¥ 184,429	¥ 64,241

Note:Unlisted shares, etc. (Book value ¥118,042 million) are not included in the above “Other securities” because their market values are not available.

2. Other securities sold

FY2021 (From April 1, 2021 to March 31, 2022)

Type	Millions of yen		
	Sales proceeds	Total gain	Total loss
(1) Shares	¥ 1,160	¥ 840	¥ —
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	2,480	481	—
Total	¥ 3,640	¥ 1,322	¥ —

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain	Total loss
(1) Shares	\$ 9,479	\$ 6,868	\$ —
(2) Bonds			
1) Government bonds and local government bonds, etc.	—	—	—
2) Corporate bonds	—	—	—
3) Other	—	—	—
(3) Other	20,264	3,934	—
Total	\$ 29,743	\$ 10,802	\$ —

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	¥ —

3.Impairment losses on securities

During the fiscal year ended March 31, 2022, impairment loss recorded on securities amounted to ¥544 million (U.S.\$4,448 thousand) (securities classified as other securities, etc.: ¥544 million (U.S.\$4,448 thousand)) and during the fiscal year ended March 31, 2021, impairment loss recorded on securities amounted to ¥1 million (securities classified as other securities: ¥1 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, 2022 and 2021.

XIV. Derivatives

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency-related derivatives

As of March 31, 2022

Not applicable

As of March 31, 2021

Not applicable

(2) Interest rate-related

As of March 31, 2022

Not applicable

As of March 31, 2021

Not applicable

2. Derivatives to which hedge accounting is applied

(1) Foreign currency-related derivatives

As of March 31, 2022

Hedge accounting	Type of contracts	Hedged item	Millions of yen		
			Contract amount, etc.	Contract amount, etc. of over one year	Fair value
Principle treatment	Currency swap contracts				
	Receive yen,pay Thai baht	Borrowings	¥ 519	¥ –	¥ (25)
Total			¥ 519	¥ –	¥ (25)

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	Currency swap contracts				
	Receive yen,pay Thai baht	Borrowings	\$ 4,246	\$ –	\$ (207)
Total			\$ 4,246	\$ –	\$ (207)

As of March 31, 2021

Not applicable

(2) Interest rate-related

As of March 31, 2022

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	¥ 79,840	¥ 42,480	¥ (354)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	15,637	8,037	1,343
Total			¥ 95,478	¥ 50,518	¥ 988

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	\$ 652,242	\$ 347,035	\$ (2,900)
Exceptional treatment of interest rate swaps	Interest rate swap contracts: Fixed rate payment, floating rate receipt	Borrowings	127,751	65,664	10,974
Total			\$ 779,992	\$ 412,699	\$ 8,075

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)

XV. 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.

In the fiscal year ended March 31, 2022, a ¥9 million (U.S.\$74 thousand) loss on revision of retirement benefit plan as a result of a change in the termination allowance plan of one domestic consolidated subsidiary was recorded in extraordinary losses. In addition, due to the transition from the defined-benefit corporate pension plan to the defined contribution plan a ¥10 million (U.S.\$83 thousand) gain was recorded in extraordinary income.

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Retirement benefit obligations at beginning of year	¥ 12,217	¥ 11,841	\$ 99,805
Service cost	574	558	4,690
Interest cost	65	59	531
Actuarial gains or losses	46	(121)	380
Retirement benefits paid	(535)	(452)	(4,373)
Decrease due to the transition to the defined-contribution pension plan	(52)	—	(431)
Increase by the new consolidated subsidiary	1,023	331	8,358
Retirement benefit obligations at end of year	¥ 13,337	¥ 12,217	\$ 108,960

Note:Service costs and interest costs are included in “Cost of sales” and “Selling, general and administrative expenses” on the consolidated statement of income.

(2) Reconciliation of plan assets as of beginning of year and as of end of year

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Plan assets at beginning of year	¥ 11,731	¥ 10,360	\$ 95,841
Expected return on plan assets	212	207	1,738
Actuarial gains or losses	(55)	734	(452)
Contribution from employer	480	477	3,926
Retirement benefits paid	(476)	(440)	(3,894)
Decrease due to the transition to the defined-contribution pension plan	(3)	—	(30)
Increase by the new consolidated subsidiary	—	391	—
Plan assets at end of year	¥ 11,889	¥ 11,731	\$ 97,129

(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, 2022	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations for funded pension plans	¥ 13,337	¥ 12,217	\$ 108,960
Plan assets	(11,889)	(11,731)	(97,129)
Net assets or liabilities recorded in the consolidated balance sheets	1,448	485	11,830
Retirement benefit liability	1,536	549	12,550
Retirement benefit asset	(88)	(64)	(720)
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,448	¥ 485	\$ 11,830

(4) Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Service cost	¥ 574	¥ 558	\$ 4,690
Interest cost	65	59	531
Expected return on plan assets	(212)	(207)	(1,738)
Amortization of actuarial loss	135	(668)	1,109
Other	(66)	(37)	(542)
Retirement benefit expenses for defined-benefit pension plan	¥ 495	¥ (295)	\$ 4,050

Note: Retirement benefit expenses are included in “Cost of sales” and “Selling, general and administrative expenses” on the consolidated statement of income.

(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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Actuarial gains or losses	¥ 39	¥ 179	\$ 326

(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, 2022	As of March 31, 2021	As of March 31, 2022
Unrecognized actuarial gains or losses	¥ (42)	¥ (2)	\$ (347)

(7) Plan assets

1) Breakdown of plan assets

Ratio of each major component of plan assets was as follows:

	As of March 31, 2022	As of March 31, 2021
	%	%
Bonds	37	35
Shares	17	21
Cash and deposits	5	4
General account	31	30
Other	10	10
Total	100	100

Note: The total includes retirement benefits trust established for corporate pension plan at 4% in the fiscal year ended March 31, 2022 and 5% in the fiscal year ended March 31, 2021.

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, 2022	As of March 31, 2021
	%	%
Discount rate	0.10 - 1.00	0.10 - 0.98
Expected long-term rate of return	1.00 - 2.50	1.00 - 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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Retirement benefit liability at beginning of year	¥ 752	¥ 696	\$ 6,147
Retirement benefit expenses	130	142	1,068
Retirement benefits paid	(87)	(87)	(717)
Increase by the new consolidated subsidiary	643	–	5,254
Retirement benefit liability at end of year	¥ 1,438	¥ 752	\$ 11,751

Note:Retirement benefit expenses are included in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statement of income.

(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
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations for funded pension plans	¥ 540	¥ 514	\$ 4,416
Plan assets	(165)	(156)	(1,355)
	374	358	3,062
Retirement benefit obligations for unfunded pension plans	1,063	394	8,689
Net assets or liabilities recorded in the consolidated balance sheets	1,438	752	11,751
Retirement benefit liability	1,438	752	11,751
Net assets or liabilities recorded in the consolidated balance sheets	¥ 1,438	¥ 752	\$ 11,751

(3) Retirement benefit expenses

Retirement benefit expenses calculated by simplified accounting method

FY2021 (April 1, 2021 - March 31, 2022): ¥130 million (U.S.\$1,068 thousand)

FY2020 (April 1, 2020 - March 31, 2021): ¥142 million

Note: Retirement benefit expenses are included in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statement of income.

4. Defined contribution plan

In the fiscal years ended March 31, 2022 and 2021 the amount required to be contributed by the Company and consolidated subsidiaries to the defined-contribution pension plan amounted to ¥155 million (U.S.\$1,270 thousand) and ¥82 million, respectively.

Note: The amounts are included in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statement of income.

5. Multi-employer type of pension plan

In the fiscal years ended March 31, 2022 and 2021 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 ¥244 million (U.S.\$1,997 thousand) and ¥236 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, 2022	As of March 31, 2021	As of March 31, 2022
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Amount of plan assets	¥ 16,327	¥ 13,756	\$ 133,384
Actuarial liability under pension funding programs	17,759	17,526	145,079
Difference	¥ (1,431)	¥ (3,769)	\$ (11,695)

(2) Premium contribution ratio for the Group's contribution to multi-employer type of pension plan

FY2021:14.624% (From April 1, 2021 to March 31, 2022)

FY2020:14.395% (From April 1, 2020 to March 31, 2021)

(3) Supplementary explanation

The main reasons for the difference in (1) above are the balance of prior service obligations under pension funding programs (¥6,741 million (U.S.\$55,069 thousand) in the fiscal year ended March 31, 2022, ¥7,498 million in the fiscal year ended March 31, 2021), General reserve (¥3,728 million (U.S.\$30,460 thousand) in the fiscal year ended March 31, 2022, ¥3,927 million in the fiscal year ended March 31, 2021) 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, 2022, ¥– million in the fiscal year ended March 31, 2021).

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.

XVI. Stock options, etc.

1. Stock options-related expenses were recorded in the following account
Not applicable

2. Gains on expiration of unexercised stock options

	Millions of yen		Thousands of U.S. dollars
	FY2021 (From April 1, 2021 to March 31, 2022)	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
Non-operating income (Other)	¥ 12	¥ –	\$ 105

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, 2022 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	8,600	14,900	18,600	30,200
Vested	–	–	–	–	–
Exercised	–	–	1,400	–	–
Expired	–	–	–	–	3,300
Balance unexercised	1,300	8,600	13,500	18,600	26,900

	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	19,400	24,100	22,000	31,900	21,300
Vested	–	–	–	–	–
Exercised	800	1,600	1,800	2,500	1,300
Expired	1,800	–	–	–	–
Balance unexercised	16,800	22,500	20,200	29,400	20,000

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	–	–	7,511	–	–
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	7,438	7,387	7,480	7,494	7,506
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.

XVII. 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, 2022	As of March 31, 2021	As of March 31, 2022
Deferred tax assets			
Excess of allowance for doubtful accounts	¥ 1,779	¥ 1,421	\$ 14,541
Guarantee deposits received	1,174	1,050	9,596
Retirement benefit liability	1,070	478	8,749
Accrued expenses	983	593	8,038
Provision for bonuses	855	675	6,987
Loss on valuation of investment securities, etc.	728	690	5,948
Asset retirement obligations	566	508	4,629
Enterprise taxes payable	554	626	4,532
Non-deductible consumption tax	500	570	4,088
Prepaid expenses	412	393	3,367
Revenue recognized for tax purposes	403	348	3,295
Gain on transfer of receivables	344	208	2,816
Excess of depreciation	260	336	2,130
Share-based payment expenses	199	215	1,628
Other	1,943	1,071	15,874
Subtotal deferred tax assets	11,778	9,191	96,219
Valuation allowance related to total deductible temporary differences	(120)	(90)	(988)
Subtotal valuation allowance (Note)	(120)	(90)	(988)
Total deferred tax assets	11,657	9,100	95,231
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥ (16,997)	¥ (19,783)	\$ (138,855)
Depreciation	(2,081)	(1,791)	(17,005)
Foreign subsidiary's unitary tax	(1,906)	(1,467)	(15,571)
Intangible assets	(1,545)	(1,414)	(12,626)
Gain on valuation of investment securities	(1,195)	(1,291)	(9,769)
Gain on transfer of receivables	(942)	(595)	(7,697)
Other	(1,134)	(908)	(9,271)
Total deferred tax liabilities	(25,803)	(27,253)	(210,793)
Net deferred tax liabilities	¥ (14,145)	¥ (18,152)	\$ (115,562)

Note: The amount of valuation allowance increased by ¥30 million (U.S.\$251 thousand) from the previous fiscal year. This increase was mainly due to an increase of ¥24 million (U.S.\$202 thousand) in valuation allowance for asset retirement obligations at a consolidated subsidiary.

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, 2022

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, 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.

XVIII. Business combinations, etc.

Business combinations through acquisition

1. Overview of the business combination

(1) Names of acquired company and its business descriptions

Name of acquired company:

WorkVision Corporation (hereinafter “WorkVision”)

Business description:

The development, sales, operation and maintenance of cloud package focused IT solutions, etc.

(2) Reasons for the business combinations

Because while utilizing the corporation network and sales capabilities of the Company, we are building a structure that can develop business as a “Business Process Service” to realize the business reforms of our customers in terms of both “systems” and “operations” by combining “ICT Solutions” and “BPO Services” with WorkVision at the core, to meet the increasingly sophisticated and complex needs of our customers.

(3) Date of the business combinations

October 15, 2021

(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:	100.00%
Ratio of voting rights held after the acquisition:	100.00%

(7) Primary basis for the determination of the acquirer

It is because the Company acquired 100.00% of the issued shares of WorkVision.

2. Period for which operating results of the acquired company was included in the consolidated financial statements

From October 1, 2021 to March 31, 2022

3. Acquisition cost of the acquired company and breakdown by type of consideration

Acquisition price	Cash and deposits	¥4,700 million	U.S.\$38,396 thousand
Acquisition cost		¥4,700 million	U.S.\$38,396 thousand

4. Details and amounts of main acquisition-related expenses

Compensation and fees, etc. from advisers, etc. ¥261 million (U.S.\$2,136 thousand)

5. Amount, cause, amortization method and period of goodwill recognized

(1) Amount of goodwill recognized

¥1,900 million (U.S.\$15,526 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 11 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	¥ 5,328	\$	43,534
Non-current assets	1,427		11,664
Total assets	6,756		55,198
Current liabilities	2,662		21,748
Non-current liabilities	2,267		18,521
Total liabilities	¥ 4,929	\$	40,269

7. Pro forma amounts of impact of the consolidated statement of income for the fiscal year ended March 31, 2022 assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method thereof

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 5,864	\$ 47,910
Operating profit	260	2,132
Ordinary profit	260	2,126
Profit before income taxes	260	2,126
Profit attributable to owners of parent	167	1,370
	Yen	U.S. dollars
Basic earnings per share	¥ 5.59	\$ 0.05

Method of calculating pro forma amount

The pro forma amount of the impact is the difference between net sales and profit or loss information calculated assuming that the business combination had been completed at the beginning of the fiscal year and net sales and profit or loss information in the consolidated statements of income of the acquired company.

Please be advised that the notes stated above have not obtained audit certification.

Absorption-type merger of consolidated subsidiary

The Company conducted an absorption-type merger of NIHON CREDIT LEASE CORPORATION (hereinafter “NCL”), a consolidated subsidiary of the Company, dated January 1, 2022 based on a resolution of the Board of Directors held on November 5, 2021.

1. Overview of the business combination

(1) Name and business description of entity involved in business combination

Name:

NIHON CREDIT LEASE CORPORATION

Business description:

Leasing and installment sales of nursing care and welfare equipment, medical equipment, and information equipment

(2) Date of the business combinations

January 1, 2022

(3) Legal form of the business combinations

Absorption-type merger with the Company as the surviving company and NCL as the absorbed company

(4) Name of the companies after the business combination

Fuyo General Lease Co., Ltd.,

(5) Other matters related to overview of transaction

NCL became a wholly-owned consolidated subsidiary of the Company in April 2021, but NCL has been absorbed through a merger for the effective use of management resources and to improve the efficiency of business operations.

2. Overview of accounting treatment

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Company treats the transaction as a transaction under common control.

XIX. Asset retirement obligations

This information has been omitted because of immateriality.

XX. 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 ¥6,307 million (U.S.\$51,532 thousand) and ¥6,256 million (lease income and lease cost were generally recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2022 and 2021, 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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Book value			
Beginning of year	¥ 344,843	¥ 246,844	\$ 2,817,122
Net change	52,326	97,998	427,472
End of year	397,170	344,843	3,244,595
Fair value at end of year	¥ 409,458	¥ 357,015	\$ 3,344,973

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 ¥174,318 million (U.S.\$1,424,058 thousand) and ¥127,180 million, in the fiscal years ended March 31, 2022 and 2021, 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, 2022. 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.

XXI. Revenue recognition

1. Information on disaggregation of revenue from contracts with customers

FY2021 (From April 1, 2021 to March 31, 2022)

	Millions of yen			
	Reportable segments			
	Lease and Installment Sales	Financing	Other	Total
Revenue from contracts with customers				
Revenue from sale of leased properties	¥ 118,898	¥ –	¥ –	¥ 118,898
Provision of services, etc.	2,952	25	40,741	43,720
Total	121,851	25	40,741	162,618
Other revenue	470,334	22,105	2,787	495,228
Revenues from external customers	¥ 592,186	¥ 22,131	¥ 43,529	¥ 657,847

	Thousands of U.S. dollars			
	Reportable segments			
	Lease and Installment Sales	Financing	Other	Total
Revenue from contracts with customers				
Revenue from sale of leased properties	\$ 971,315	\$ –	\$ –	\$ 971,315
Provision of services, etc.	24,121	212	332,829	357,162
Total	995,436	212	332,829	1,328,477
Other revenue	3,842,290	180,586	22,776	4,045,652
Revenues from external customers	\$ 4,837,726	\$ 180,798	\$ 355,605	\$ 5,374,129

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is described in “4. Summary of significant accounting policies (6) Recognition of significant revenues and expenses” under “Basis of presentation.”

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-related businesses, fee handling, and BPO and mobility business, 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

FY2021 (From April 1, 2021 to March 31, 2022)

	Millions of yen				
	Lease and Installment Sales	Financing	Other	Total	
Sales					
Revenues from external customers	¥ 592,186	¥ 22,131	¥ 43,529	¥ 657,847	
Transactions with other segments	1,230	3,488	2,127	6,847	
Net sales	593,416	25,620	45,657	664,694	
Segment profit	¥ 32,751	¥ 16,523	¥ 8,779	¥ 58,053	
Segment assets	¥ 1,764,861	¥ 967,301	¥ 126,186	¥ 2,858,349	
Other items					
Depreciation	46,175	–	3,069	49,244	
Amortization of goodwill	70	324	1,010	1,405	
Investments in entities accounted for using equity method	–	–	–	–	
Increase in property, plant and equipment and intangible assets	¥ 220,598	¥ –	¥ 4,821	¥ 225,419	

	Thousands of U.S. dollars				
	Lease and Installment Sales	Financing	Other	Total	
Sales					
Revenues from external customers	\$ 4,837,726	\$ 180,798	\$ 355,605	\$ 5,374,129	
Transactions with other segments	10,055	28,502	17,381	55,937	
Net sales	4,847,781	209,300	372,986	5,430,067	
Segment profit	\$ 267,552	\$ 134,987	\$ 71,718	\$ 474,257	
Segment assets	\$ 14,417,623	\$ 7,902,144	\$ 1,030,855	\$ 23,350,621	
Other items					
Depreciation	377,219	–	25,075	402,294	
Amortization of goodwill	577	2,650	8,253	11,480	
Investments in entities accounted for using equity method	–	–	–	–	
Increase in property, plant and equipment and intangible assets	\$ 1,802,128	\$ –	\$ 39,386	\$ 1,841,513	

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

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 664,694	¥ 746,996	\$ 5,430,067
Eliminations	(6,847)	(6,732)	(55,937)
Net sales reported on the consolidated statements of income	¥ 657,847	¥ 740,263	\$ 5,374,129

Profit	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 58,053	¥ 57,392	\$ 474,257
Eliminations	(699)	(3,206)	(5,718)
Corporate expenses (Note)	(11,319)	(9,630)	(92,473)
Operating profit reported on the consolidated statements of income	¥ 46,034	¥ 44,555	\$ 376,067

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 2,858,349	¥ 2,902,959	\$ 23,350,621
Corporate assets (Note)	91,354	76,325	746,302
Total assets reported on the consolidated balance sheets	¥ 2,949,704	¥ 2,979,285	\$ 24,096,923

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 49,244	¥ 44,243	\$ 402,294
Adjustment	1,789	1,907	14,621
Amounts reported on the consolidated financial statements	¥ 51,034	¥ 46,150	\$ 416,915

Note: Depreciation adjustments mainly represent depreciation on own-used assets.

Amortization of goodwill	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 1,405	¥ 1,326	\$ 11,480
Adjustment	–	–	–
Amounts reported on the consolidated financial statements	¥ 1,405	¥ 1,326	\$ 11,480

Investments in entities accounted for using equity method

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ —	¥ —	\$ —
Adjustment	42,075	28,942	343,726
Amounts reported on the consolidated financial statements	¥ 42,075	¥ 28,942	\$ 343,726

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Reportable segments total	¥ 225,419	¥ 144,974	\$ 1,841,513
Adjustment	2,179	4,177	17,804
Amounts reported on the consolidated financial statements	¥ 227,599	¥ 149,152	\$ 1,859,317

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

FY2021 (From April 1, 2021 to March 31, 2022)

This information is omitted as it is identical to that in segment information.

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

This information is omitted as it is identical to that in segment information.

2. Information for each region

FY2021 (From April 1, 2021 to March 31, 2022)

(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		
¥ 588,509	¥ 21,895	¥ 116,431	¥ 27	¥ 121	¥ 726,984

Thousands of U.S. dollars					
Japan	North America and Latin America	Europe		Asia	Total
		Ireland	Other		
\$ 4,807,691	\$ 178,869	\$ 951,160	\$ 221	\$ 992	\$ 5,938,934

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, Thailand

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

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

3. Information for each of main customers

FY2021 (From April 1, 2021 to March 31, 2022)

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.

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.

Disclosure of impairment losses on non-current assets for each reportable segment

FY2021 (From April 1, 2021 to March 31, 2022)

Millions of yen					
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	¥ 2,048	¥ —	¥ 642	¥ —	¥ 2,690

Thousands of U.S. dollars					
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Impairment losses	\$ 16,734	\$ —	\$ 5,246	\$ —	\$ 21,980

Note: The impairment losses on “Lease and Installment Sales” are recorded in cost of sales.

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

Amortization and unamortized balance of goodwill for each reportable segment

FY2021 (From April 1, 2021 to March 31, 2022)

Millions of yen					
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	¥ 196	¥ 4,784	¥ 16,252	¥ —	¥ 21,234

Thousands of U.S. dollars					
	Lease and Installment Sales	Financing	Other	Corporate/ Elimination	Total
Balance at end of period	\$ 1,608	\$ 39,089	\$ 132,774	\$ —	\$ 173,472

Note: The information about amortization of goodwill is omitted as it is identical to that in segment information.

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

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

FY2021 (From April 1, 2021 to March 31, 2022)

Not applicable

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

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.

FY2021 (From April 1, 2021 to March 31, 2022)

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	¥111,609	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	¥4,710	Lease receivables and investments in leases	¥63,012
							Purchase of operating assets	¥26,960		
							Sale of operating assets	¥2,559		

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	End of year (Thousands of U.S. dollars)
Major shareholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	\$911,764	Real estate leasing business	Direct (Holdings) 5.3 Direct (Held) 14.0	Lease transactions Purchase of operating assets Sale of operating assets	Lease payments received	\$38,479	Lease receivables and investments in leases	\$514,769
							Purchase of operating assets	\$220,243		
							Sale of operating assets	\$20,905		

Notes: 1. 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.
2. 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, 2022.

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	¥4,752	Lease receivables and investments in leases	¥62,888
							Purchase of operating assets	¥23,069		
							Sale of operating assets	¥4,644		

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.

(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.

FY2021 (From April 1, 2021 to March 31, 2022)

Not applicable

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

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, 2022	As of March 31, 2021	As of March 31, 2022
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)	¥ 19,608	¥ 4,219	\$ 160,185
Total value of liabilities as of the latest balance sheet (without elimination of inter-company transactions)	19,603	4,214	160,150

2. Amount of transactions, etc. with special purpose entities subject to disclosure

FY2021 (From April 1, 2021 to March 31, 2022)

	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)	¥ 141
Lease receivables and investments in leases	¥ 15,996		

	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)	\$ 1,157
Lease receivables and investments in leases	\$ 130,678		

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.

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		

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
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Net assets per share	¥ 11,121.96	¥ 10,153.22	\$ 90.86
Basic earnings per share	1,130.52	986.18	9.24
Diluted earnings per share	1,123.38	979.39	9.18

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 177,100 shares for the fiscal year ended March 31, 2022 and 96,700 shares for the fiscal year ended March 31, 2021.

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 121,150 shares for the fiscal year ended March 31, 2022 and 97,065 shares for the fiscal year ended March 31, 2021.

3. Calculation basis of net assets per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Total net assets	¥ 374,239	¥ 344,796	\$ 3,057,265
Amounts excluded from total net assets	41,405	40,231	338,254
Of which, share acquisition rights	650	704	5,316
Of which, non-controlling interests	40,754	39,527	332,937
Net assets attributable to common shares	332,834	304,565	2,719,012
Number of common shares as of the fiscal year-end used in the calculation of net assets per share (thousands shares)	29,925	29,996	29,925

4. Calculation basis of basic earnings per share and diluted earnings per share is as follows

	Millions of yen		Thousands of U.S. dollars
	FY2021 (April 1, 2021 - March 31, 2022)	FY2020 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2021 - March 31, 2022)
Basic earnings per share			
Profit attributable to owners of parent	¥ 33,886	¥ 29,566	\$ 276,828
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	33,886	29,566	276,828
Average number of shares during the period (thousands shares)	29,974	29,981	29,974
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ —	¥ —	\$ —
Increase in the number of common shares (thousands shares)	190	207	190
Residual securities that are not dilutive and not included in the calculation of diluted earnings per share	—	—	—

XXVI. Subsequent events

Transactions under common control etc.

Additional acquisition of subsidiary shares

1. Overview of the transaction

(1) Name and business description of entity involved in business combination

Name of the entity:

Kabushiki Kaisha GI Holdings

Business description:

Acquisition, holding and disposal of shares, investments and other equity and bonds of stock companies and other corporations, purchase and sale of trust beneficiary rights, purchase of monetary claims, real estate investment, securities investment, asset management business, solutions business, and other businesses

(2) Date of the business combinations

April 1, 2022

(3) Legal form of the business combinations

Acquisition of shares from a non-controlling shareholder

(4) Name of the companies after the business combination

No change

(5) Other matters related to overview of transaction

The Company additionally acquired all shares held by the non-controlling shareholder. As a result of this additional acquisition of shares, the entity and its subsidiary, INVOICE INC., became wholly owned subsidiaries of the Company.

2. Overview of accounting treatment to be implemented

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, January 16, 2019), the Company treated the transaction as a transaction with a non-controlling shareholder among transactions under common control, etc.

3. Matters concerning the additional acquisition of subsidiary shares

Acquisition price	Cash and deposits	¥6,869 million	U.S.\$56,119 thousand
Acquisition cost		¥6,869 million	U.S.\$56,119 thousand

4. Matters concerning a change in initial equity related to transactions with non-controlling shareholders

(1) Main reasons for the change in capital surplus

Additional acquisition of subsidiary shares

(2) Amount of capital surplus reduced by transactions with non-controlling shareholders

¥5,376 million (U.S.\$43,918 thousand)

Corporate bond issuance

The Company issued straight bonds as follows:

- (1) Issue name: Fuyo General Lease Co., Ltd., No. 33 unsecured straight bond
- (2) Issuance amount: ¥30,000 million (U.S.\$245,078 thousand)
- (3) Issuance date: April 28, 2022
- (4) Issue price: ¥100 per ¥100 of face value
- (5) Coupon rate: 0.400% per year
- (6) Redemption date: April 28, 2027
- (7) Use of proceeds: To fund capital investments

In addition, the Company filed the amendment to Shelf Registration Statements concerning the issuance of public hybrid corporate bonds (subordinated bonds) for an amount up to ¥30.0 billion (U.S.\$245,078 thousand) to the Director-General of the Kanto Local Finance Bureau on May 10, 2022.

Independent Auditor’s Report



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. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, 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, 2022, 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.



Estimate of residual value of real estate under operating lease transactions	
Description of Key Audit Matter	Auditor’s Response
<p>The Group is engaged in leasing, installment sales, commercial loan origination, and other financial services. The Group recorded assets for lease of ¥671,643 million in property, plant and equipment, at cost less accumulated depreciation on the consolidated balance sheets for the fiscal year ended March 31, 2022. Real estate lease assets with a carrying amount of ¥397,170 million were recognized as described in Note XX, “Real estate leasing business,” to the consolidated financial statements.</p> <p>As described in Note I, “Basis of 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 is 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 a loss on disposal of the leased assets is expected, the corresponding amount is recorded under cost of sales.</p> <p>As described in Note II, “Significant accounting estimates,” the Group estimates the residual value using future cash flows and discount rates, and the significant assumption for estimating the residual value is future cash flows. The future cash flows of real estate lease transactions are estimated based on considerations such as terms of contracts, rents, and occupancy rates. However, these transactions are highly individual in nature and the estimation of the residual value requires complex judgment, and specialized 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 profit or loss calculations.</p> <p>Based on the above, we have determined the estimation of the residual value of real estate under operating lease transactions to be a key audit matter.</p>	<p>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 of real estate under operating lease transactions by selecting a sample of transactions based on quantitative significance, remaining years of the lease term, and the type of lease payments:</p> <ul style="list-style-type: none">Audit procedures performed for lease contracts that commenced in the current year. <p>In order to evaluate the inputs such as rents and the occupancy rates of the properties, which form the basis for calculating future cash flows used by the Group in estimating the residual value, we inspected external evidence, including real estate valuation reports, by involving the real estate valuation experts from our network firm. We also recalculated the residual value to evaluate the Group’s estimation process.</p> <ul style="list-style-type: none">Audit procedures performed for lease contracts that commenced in previous years. <p>In order to evaluate the Group’s estimate of the residual value, we compared actual rents and occupancy rates with the original estimates to analyze the cause of differences.</p> <ul style="list-style-type: none">Audit procedures performed for lease contracts terminated during the current year. <p>In order to evaluate the effectiveness of the Group’s estimation process, we reconciled actual sale prices with the sale agreements and compared these prices with the estimated residual values.</p>

Independent Auditor's Report



Determination of indicators of impairment of goodwill	
Description of Key Audit Matter	Auditor's Response
<p>The Group acquires businesses with the aim of further expanding and growing its business and recorded goodwill of ¥21,234 million on the consolidated balance sheets for the fiscal year ended March 31, 2022, which consists of goodwill related to the acquisition of Accretive Co., Ltd., G.I Holdings Inc., LN Holdings, Co., Ltd., Yamato Lease Co., Ltd., and Work Vision Co., Ltd.</p> <p>As described in Note I, "Basis of presentation 4. Summary of significant accounting policies (9) Amortization method and period of goodwill," the Group estimates the useful life of goodwill and amortizes it on a straight-line basis over this period. However, if there are any significant changes having an adverse effect on the entity, including the impact of the COVID-19 pandemic, and the recoverable amount of goodwill is assumed to decrease, the Group determines that there is an indication that goodwill may be impaired. 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.</p> <p>The Group 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 actual results, analyzing factors related to the differences between them, and considering the impact on future performance based on these factors. This involves significant management judgment on the current and future business environment. In addition, with the increase in goodwill due to multiple acquisitions in the past several years, the significance of management judgment related to the indicators of impairment of goodwill has also increased.</p> <p>Based on the above, we have determined the determinations regarding indicators of impairment of goodwill to be a key audit matter.</p>	<p>We performed the following audit procedures, among others, to evaluate the Group's determinations regarding indicators of impairment of goodwill.</p> <ul style="list-style-type: none"> In order to assess the possibility of significant deterioration in operating results of the CGU to which 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 through the end of the current fiscal year and a variance analysis on the differences identified between the business plan figures and actual results. The Group assessed the possibility of significant deterioration in operating results of the CGU to which the goodwill belongs taking into consideration the impact of the COVID-19 pandemic on economic activities. In order to evaluate the Group's assessments, we made inquiries of the responsible department about the basis for estimates of revenue growth rates and so forth of each subsidiary, performed trend analysis, and compared the revenue growth rates of each subsidiary with external data, such as growth rates of the industry to which each subsidiary belongs. In order to evaluate the Group's determination of whether any changes have occurred or are expected to occur, which significantly reduce recoverable amounts for business activities that include goodwill, we made inquiries of management and inspected related materials to consider the consistency between the initial business plan of each subsidiary, the business policy of the Group for the current and following fiscal years, and the Group's Medium-Term business plan.

Ernst & Young ShinNihon LLC

**Other Information**

Other information comprises information included in a disclosure document that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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.

Ernst & Young ShinNihon LLC

Independent Auditor's Report



- 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 consolidated 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, 2022 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

August 10, 2022

/s/ Yuji Ozawa
Designated Engagement Partner
Certified Public Accountant

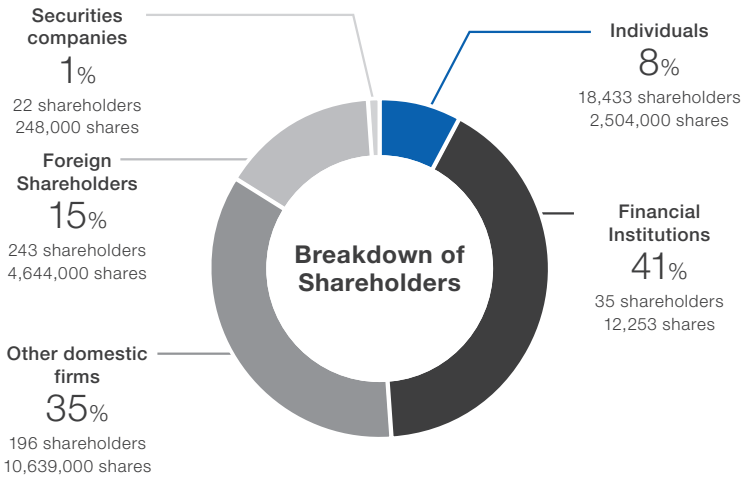
/s/ Toru Nakagiri
Designated Engagement Partner
Certified Public Accountant

Stock Information

As of March 31, 2022

Stock Overview

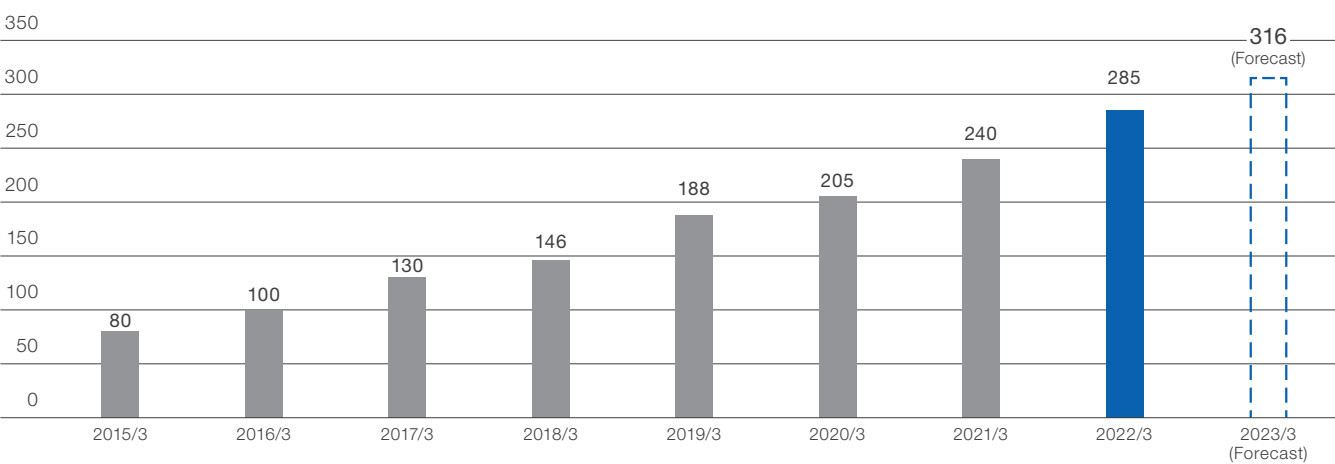
Total number of authorized share	100,000,000 shares
Number of shares outstanding	30,288,000 shares
Share unit number	100 shares
Number of shareholders	18,929



Major Shareholders (Top 10)

Shareholders	Number of shares held (in thousands)	Shareholding ratio (%)
Hulic Co., Ltd.	4,218	14.0%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,978	9.9%
Meiji Yasuda Life Insurance Company	2,690	8.9%
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account); Custody Bank of Japan, Ltd. as a Trustee of Retruest	1,512	5.0%
Custody Bank of Japan, Ltd. (Trust Account)	1,127	3.7%
Sompo Japan Insurance Inc.	1,002	3.3%
Azbil Corporation	1,000	3.3%
Mizuho Bank, Ltd.	907	3.0%
NICHIREI CORPORATION	416	1.4%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	400	1.3%

Annual dividend per share (Yen)



Participation in Initiatives

WE SUPPORT
UN GLOBAL COMPACT

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

TCFD is a task force established by the Financial Stability Board (FSB), an international organization of central banks and financial regulators from major countries, to provide a framework for climate change-related disclosures. In May 2019, the Company expressed its endorsement of the final report published by the TCFD (TCFD Recommendations) and has implemented information disclosures based on those recommendations.

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.

21世紀金融行動原則
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.

The Japan Circular Economy Partnership (J-CEP)

J-CEP is a new business co-creation partnership in which companies aiming to realize a sustainable society work to promote a circular economy in collaboration with residents, governments, universities and other organizations. The Company has been a member of J-CEP since the time of its foundation in October 2021.

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

**S&P/JPX
カーボン
エフィシエント
指数**

**2022 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)**

**2022 CONSTITUENT MSCIジャパン*
ESGセレクト・リーダース指数**

**2022
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

The Company received the Gold Award (Ministry of the Environment Award) in the bonds category of the ESG Finance Awards in fiscal 2019, and the Special Prize in the indirect finance category in fiscal 2021.

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.

Under the 2022 Certified Health and Productivity Management Organization (Large Enterprise Category), the Company was recognized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (Japan Health Council) as a listed company carrying out excellent health and productivity management.

In fiscal 2021, the Company was certified as an "Eruboshi" company as it has met specific criteria (recruitment, continuous employment, way of working including working hours, percentage of female managers, diverse career paths) for certification as an excellent company promoting the advancement of women in the workplace, etc. under the Act on the Promotion of Female Participation and Career Advancement in the Workplace.

FUYO LEASE

FUYO GENERAL LEASE CO.,LTD.

Kojimachi Garden Tower, 5-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
Phone: +81-3-5275-8800

<https://www.fgl.co.jp/eng/>

