

Financial Statements (For the year ended March 31, 2019)

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Consolidated Balance Sheet

Tokyo Century Corporation and Consolidated Subsidiaries
As of March 31, 2019 and 2018

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|------------|--|
| | 2019 | 2018 | 2019 |
| Assets | | | |
| Current assets: | | | |
| Cash on hand and in banks (Notes 11, 16 and 22) | ¥ 99,058 | ¥ 82,212 | \$ 892,341 |
| Accounts receivable: | | | |
| Installment sales (Notes 11, 12 and 22) | 195,761 | 210,523 | 1,763,462 |
| Lease receivables and investment assets (Notes 11, 12, 20 and 22) | 1,565,671 | 1,544,595 | 14,103,876 |
| Loans (Notes 11, 12 and 22) | 549,980 | 548,522 | 4,954,335 |
| Leases | 34,598 | 30,577 | 311,665 |
| Operational investment securities (Notes 9, 11 and 22) | 295,970 | 235,531 | 2,666,161 |
| Short-term investment securities (Notes 9, 16 and 22) | 620 | 5,550 | 5,585 |
| Inventories (Notes 7 and 11) | 10,667 | 1,177 | 96,091 |
| Other current assets (Notes 8 and 11) | 92,175 | 77,471 | 830,337 |
| Allowance for doubtful accounts (Note 22) | (3,377) | (3,475) | (30,422) |
| Total current assets | 2,841,127 | 2,732,687 | 25,593,435 |
| Investments and other assets: | | | |
| Investments in securities (Notes 9, 11 and 22) | 183,219 | 165,272 | 1,650,479 |
| Long-term loans and other assets | 50,050 | 40,311 | 450,869 |
| Claims provable in bankruptcy or rehabilitation (Note 22) | 1,348 | 1,379 | 12,150 |
| Deferred tax assets (Note 17) | 12,729 | 9,883 | 114,670 |
| Allowance for doubtful accounts (Note 22) | (1,144) | (1,143) | (10,306) |
| Total investments and other assets | 246,205 | 215,702 | 2,217,863 |
| Property and equipment, at cost less accumulated depreciation: | | | |
| Leased assets (Notes 10 and 11) | 773,055 | 637,456 | 6,963,835 |
| Advances for purchases of property for lease (Note 11) | 15,985 | 13,055 | 144,002 |
| Other operating assets (Note 10) | 89,406 | 68,868 | 805,394 |
| Construction in progress | 55,372 | 42,517 | 498,807 |
| Own assets in use (Notes 10 and 11) | 18,742 | 17,740 | 168,833 |
| Total property and equipment, net | 952,562 | 779,638 | 8,580,873 |
| Intangible assets: | | | |
| Computer programs leased to customers | 1,216 | 354 | 10,962 |
| Goodwill | 32,711 | 16,885 | 294,672 |
| Other intangible assets | 12,186 | 9,485 | 109,781 |
| Total intangible assets | 46,115 | 26,725 | 415,416 |
| Deferred assets | 503 | 373 | 4,535 |
| Total assets | ¥4,086,513 | ¥3,755,127 | \$36,812,123 |

The accompanying notes are an integral part of these statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|------------|------------------------------------|
| | 2019 | 2018 | 2019 |
| Liabilities and net assets | | | |
| Current liabilities: | | | |
| Short-term borrowings (Notes 11, 12 and 22) | ¥1,434,854 | ¥1,338,750 | \$12,925,454 |
| Current portion of long-term debt (Notes 11, 12 and 22) | 515,906 | 404,824 | 4,647,385 |
| Notes and accounts payable – trade (Notes 8 and 22) | 248,215 | 247,209 | 2,235,972 |
| Lease obligations (Notes 20 and 22) | 4,310 | 4,494 | 38,827 |
| Accrued income taxes (Note 17) | 11,004 | 11,964 | 99,128 |
| Deferred profit on installment sales (Note 22) | 15,882 | 16,232 | 143,068 |
| Other current liabilities | 86,518 | 84,513 | 779,376 |
| Total current liabilities | 2,316,691 | 2,107,989 | 20,869,214 |
| Long-term liabilities: | | | |
| Long-term debt (Notes 11, 12 and 22) | 1,090,474 | 1,067,105 | 9,823,206 |
| Lease obligations (Notes 20 and 22) | 7,642 | 8,441 | 68,847 |
| Provision for directors' retirement benefits | 489 | 248 | 4,407 |
| Net defined benefit liability (Note 19) | 11,032 | 9,501 | 99,379 |
| Deferred tax liabilities (Note 17) | 30,548 | 13,437 | 275,187 |
| Provision for automobile inspection costs | 1,146 | 1,036 | 10,332 |
| Other long-term liabilities | 104,116 | 91,330 | 937,899 |
| Total long-term liabilities | 1,245,449 | 1,191,101 | 11,219,259 |
| Total liabilities | 3,562,141 | 3,299,091 | 32,088,473 |
| Contingent liabilities (Note 21) | | | |
| Net assets (Note 30): | | | |
| Shareholders' equity (Notes 23, 24 and 25) | | | |
| Common stock without par value: Authorized: 400,000,000 shares Issued: 106,624,620 shares in 2019 and 2018 | 34,231 | 34,231 | 308,360 |
| Capital surplus | 9,074 | 9,060 | 81,742 |
| Retained earnings | 379,150 | 339,910 | 3,415,458 |
| Treasury stock: 1,008,592 shares in 2019 and 1,036,352 shares in 2018 | (2,612) | (2,682) | (23,532) |
| Total shareholders' equity | 419,843 | 380,520 | 3,782,029 |
| Accumulated other comprehensive income | | | |
| Net unrealized holding gains on securities | 15,647 | 17,745 | 140,954 |
| Deferred gains (losses) on hedges | (152) | (942) | (1,370) |
| Translation adjustments | (8,078) | (579) | (72,768) |
| Remeasurements of defined benefit plans (Note 19) | (605) | (751) | (5,450) |
| Total accumulated other comprehensive income | 6,812 | 15,472 | 61,364 |
| Share subscription rights (Note 25) | 1,620 | 1,196 | 14,600 |
| Non-controlling interests | 96,096 | 58,847 | 865,655 |
| Total net assets | 524,372 | 456,036 | 4,723,650 |
| Total liabilities and net assets | ¥4,086,513 | ¥3,755,127 | \$36,812,123 |

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

Tokyo Century Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-------------------|------------|--|
| | 2019 | 2018 | 2019 |
| Revenues | ¥1,067,612 | ¥1,012,200 | \$9,617,261 |
| Costs (Note 14) | 885,863 | 849,005 | 7,980,032 |
| Gross profit | 181,748 | 163,195 | 1,637,228 |
| Selling, general and administrative expenses (Note 13) | 104,027 | 89,450 | 937,098 |
| Operating income | 77,721 | 73,744 | 700,130 |
| Other income (expenses): | | | |
| Interest and dividend income | 1,151 | 1,164 | 10,372 |
| Interest expense | (491) | (298) | (4,429) |
| Equity in earnings of affiliates | 7,929 | 3,771 | 71,434 |
| Foreign exchange gain (loss) | (439) | 87 | (3,956) |
| Rental income | 290 | 285 | 2,614 |
| Cost of rental income | (136) | (135) | (1,225) |
| Gain on sales of investments in securities | 842 | 543 | 7,591 |
| Loss on valuation of investment securities | (444) | (3) | (4,004) |
| Loss on disposal of non-current assets | (180) | (110) | (1,625) |
| Gain on step acquisitions | — | 333 | — |
| Loss on step acquisitions | — | (138) | — |
| Extra early retirement payments | — | (216) | — |
| Other, net | 183 | 437 | 1,653 |
| Income before income taxes | 86,427 | 79,466 | 778,554 |
| Income taxes (Note 17): | | | |
| Current | 25,888 | 26,082 | 233,211 |
| Deferred | 1,473 | (3,700) | 13,273 |
| | 27,362 | 22,382 | 246,485 |
| Net income | 59,065 | 57,083 | 532,069 |
| Net income attributable to: | | | |
| Non-controlling interests | 6,793 | 5,759 | 61,196 |
| Owners of parent (Note 30) | ¥ 52,271 | ¥ 51,324 | \$ 470,872 |

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Tokyo Century Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|---------|--|
| | 2019 | 2018 | 2019 |
| Net income | ¥59,065 | ¥57,083 | \$532,069 |
| Other comprehensive income (Note 15): | | | |
| Net unrealized holding gain (loss) on securities | (2,148) | 1,956 | (19,351) |
| Deferred gain (loss) on hedges | 853 | (1,265) | 7,692 |
| Translation adjustments | (6,744) | (609) | (60,753) |
| Remeasurements of defined benefit plans | 136 | 442 | 1,228 |
| Share of other comprehensive income (loss) of affiliates accounted for using equity method | (846) | (509) | (7,629) |
| Total other comprehensive income (loss) | (8,749) | 13 | (78,813) |
| Comprehensive income (loss) | ¥50,315 | ¥57,097 | \$453,255 |
| Comprehensive income (loss) attributable to: | | | |
| Owners of parent | ¥43,611 | ¥51,061 | \$392,862 |
| Non-controlling interests | ¥ 6,704 | ¥ 6,035 | \$ 60,393 |

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Tokyo Century Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

| | Number of shares | | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|------------------|---------|-----------------|----------|------------------------------------|
| | Thousands | 2018 | 2019 | 2018 | 2019 |
| Common stock | | | | | |
| Balance at the beginning of the year | 106,624 | 106,624 | ¥ 34,231 | ¥ 34,231 | \$ 308,360 |
| Balance at the end of the year | 106,624 | 106,624 | 34,231 | 34,231 | 308,360 |
| Capital surplus | | | | | |
| Balance at the beginning of the year | | | 9,060 | 7,821 | 81,622 |
| Disposal of treasury stock | | | 13 | 8 | 126 |
| Purchase of shares of consolidated subsidiaries | | | (0) | 1,230 | (5) |
| Balance at the end of the year | | | 9,074 | 9,060 | 81,742 |
| Retained earnings | | | | | |
| Balance at the beginning of the year | | | 339,910 | 299,671 | 3,061,984 |
| Net income attributable to owners of parent for the year | | | 52,271 | 51,324 | 470,872 |
| Cash dividends | | | (12,989) | (11,085) | (117,007) |
| Change in scope of consolidation | | | (43) | — | (390) |
| Balance at the end of the year | | | 379,150 | 339,910 | 3,415,458 |
| Treasury stock | | | | | |
| Balance at the beginning of the year | (1,036) | (1,067) | (2,682) | (2,757) | (24,161) |
| Purchase of treasury stock | (0) | (1) | (3) | (8) | (33) |
| Disposal of treasury stock | 28 | 32 | 73 | 83 | 662 |
| Balance at the end of the year | (1,008) | (1,036) | (2,612) | (2,682) | (23,532) |
| Total shareholders' equity | | | 419,843 | 380,520 | 3,782,029 |
| Balance at the beginning of the year | | | 380,520 | 338,966 | 3,427,805 |
| Cash dividends | | | (12,989) | (11,085) | (117,007) |
| Net income attributable to owners of parent for the year | | | 52,271 | 51,324 | 470,872 |
| Purchase of treasury stock | | | (3) | (8) | (33) |
| Disposal of treasury stock | | | 87 | 92 | 788 |
| Purchase of shares of consolidated subsidiaries | | | (0) | 1,230 | (5) |
| Change in scope of consolidation | | | (43) | — | (390) |
| Balance at the end of the year | | | 419,843 | 380,520 | 3,782,029 |
| Net unrealized holding gain on securities | | | | | |
| Balance at the beginning of the year | | | 17,745 | 15,830 | 159,851 |
| Net changes of items other than shareholders' equity | | | (2,097) | 1,914 | (18,896) |
| Balance at the end of the year | | | 15,647 | 17,745 | 140,954 |
| Deferred gain (loss) on hedges | | | | | |
| Balance at the beginning of the year | | | (942) | 473 | (8,486) |
| Net changes of items other than shareholders' equity | | | 789 | (1,415) | 7,116 |
| Balance at the end of the year | | | (152) | (942) | (1,370) |
| Translation adjustments | | | | | |
| Balance at the beginning of the year | | | (579) | 564 | (5,218) |
| Net changes of items other than shareholders' equity | | | (7,498) | (1,143) | (67,550) |
| Balance at the end of the year | | | (8,078) | (579) | (72,768) |
| Remeasurements of defined benefit plans | | | | | |
| Balance at the beginning of the year | | | (751) | (1,133) | (6,771) |
| Net changes of items other than shareholders' equity | | | 146 | 382 | 1,320 |
| Balance at the end of the year | | | (605) | (751) | (5,450) |
| Total accumulated other comprehensive income | | | 6,812 | 15,472 | 61,364 |
| Balance at the beginning of the year | | | 15,472 | 15,734 | 139,374 |
| Net changes of items other than shareholders' equity | | | (8,659) | (262) | (78,010) |
| Balance at the end of the year | | | 6,812 | 15,472 | 61,364 |
| Share subscription rights (Note 25) | | | | | |
| Balance at the beginning of the year | | | 1,196 | 943 | 10,779 |
| Net changes of items other than shareholders' equity | | | 424 | 253 | 3,821 |
| Balance at the end of the year | | | 1,620 | 1,196 | 14,600 |
| Non-controlling interests | | | | | |
| Balance at the beginning of the year | | | 58,847 | 49,174 | 530,109 |
| Net changes of items other than shareholders' equity | | | 37,249 | 9,672 | 335,546 |
| Balance at the end of the year | | | 96,096 | 58,847 | 865,655 |
| Total net assets | | | 524,372 | 456,036 | 4,723,650 |
| Balance at the beginning of the year | | | 456,036 | 404,818 | 4,108,068 |
| Cash dividends | | | (12,989) | (11,085) | (117,007) |
| Net income attributable to owners of parent for the year | | | 52,271 | 51,324 | 470,872 |
| Purchase of treasury stock | | | (3) | (8) | (33) |
| Disposal of treasury stock | | | 87 | 92 | 788 |
| Purchase of shares of consolidated subsidiaries | | | (0) | 1,230 | (5) |
| Change in scope of consolidation | | | (43) | — | (390) |
| Net changes of items other than shareholders' equity | | | 29,013 | 9,663 | 261,357 |
| Balance at the end of the year | | | ¥524,372 | ¥456,036 | \$4,723,650 |

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

Tokyo Century Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------|--|
| | 2019 | 2018 | 2019 |
| Cash flows from operating activities: | | | |
| Income before income taxes | ¥ 86,427 | ¥ 79,466 | \$ 778,554 |
| Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization of leased assets | 120,223 | 112,060 | 1,082,998 |
| Loss on disposal of leased assets | 49,391 | 63,706 | 444,925 |
| Impairment loss | 1,946 | 2,624 | 17,531 |
| Depreciation of other operating assets, and cost of other operating assets sales | 4,229 | 4,002 | 38,103 |
| Depreciation and loss on sales and disposal of own asset in use | 4,277 | 3,839 | 38,535 |
| Amortization of goodwill | 1,950 | 1,063 | 17,567 |
| Foreign exchange loss (gain) | 439 | (87) | 3,956 |
| Increase (decrease) in allowance for doubtful accounts | (293) | (582) | (2,643) |
| Increase (decrease) in accrued bonus | 387 | 40 | 3,490 |
| Increase (decrease) in liability for retirement benefits | (183) | 258 | (1,654) |
| Interest and dividend income | (1,151) | (1,164) | (10,372) |
| Interest expense | 26,785 | 21,946 | 241,291 |
| Equity in earnings of affiliates | (7,929) | (3,771) | (71,434) |
| Gain on sale of investments in securities | (842) | (543) | (7,591) |
| Decrease (increase) in installment sales receivable | 11,963 | 9,972 | 107,771 |
| Decrease (increase) in lease receivables and investment assets | (21,912) | 46,850 | (197,391) |
| Decrease (increase) in loans receivable | (3,240) | (12,218) | (29,187) |
| Decrease (increase) in operational investment securities | (59,384) | (27,101) | (534,945) |
| Purchases of leased assets | (175,174) | (168,905) | (1,578,007) |
| Purchase of other operating assets | (27,031) | (43,644) | (243,508) |
| Decrease (increase) in construction in progress | (12,854) | (42,517) | (115,797) |
| Decrease (increase) in claims provable in bankruptcy or rehabilitation | 78 | 239 | 704 |
| Increase (decrease) in trade notes and accounts payable | (3,388) | 31,483 | (30,523) |
| Other, net | (948) | (5,355) | (8,540) |
| Subtotal | (6,234) | 71,662 | (56,164) |
| Interest and dividend income received | 1,365 | 1,954 | 12,297 |
| Interest expense paid | (26,533) | (22,120) | (239,017) |
| Income taxes paid | (27,751) | (25,067) | (249,988) |
| Net cash provided by (used in) cash used in operating activities | (59,154) | 26,428 | (532,873) |
| Cash flows from investing activities: | | | |
| Proceeds from sales of own assets in use | 338 | 224 | 3,050 |
| Purchases of own assets in use | (7,640) | (5,845) | (68,825) |
| Proceeds from sales/redemptions of investments in securities | 1,001 | 854 | 9,021 |
| Purchases of investments in securities | (45,732) | (90,600) | (411,966) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (65,103) | (2,799) | (586,465) |
| Payments for business transfer | — | (9,282) | — |
| Other, net | (6,811) | (459) | (61,363) |
| Net cash provided by (used in) investing activities | (123,947) | (107,908) | (1,116,548) |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term borrowings, net | 95,226 | 58,275 | 857,820 |
| Proceeds from long-term debt | 491,955 | 387,163 | 4,431,635 |
| Repayment of long-term debt | (427,455) | (391,378) | (3,850,607) |
| Proceeds from issuance of bonds | 104,300 | 101,799 | 939,554 |
| Redemption of bonds | (70,420) | (68,268) | (634,357) |
| Proceeds from stock issuance to non-controlling interest shareholders | 10,790 | 7,633 | 97,203 |
| Cash dividends paid | (12,989) | (11,085) | (117,007) |
| Cash dividends paid to non-controlling interest shareholders | (2,319) | (1,465) | (20,894) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | — | (966) | — |
| Other, net | (53) | (59) | (480) |
| Net cash provided by (used in) financing activities | 189,035 | 81,649 | 1,702,866 |
| Effect of exchange rate changes on cash and cash equivalents | (2,655) | 473 | (23,917) |
| Net increase (decrease) in cash and cash equivalents | 3,277 | 642 | 29,527 |
| Cash and cash equivalents at the beginning of the year | 86,449 | 85,730 | 778,757 |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | — | 77 | — |
| Cash and cash equivalents at the end of the year (Note 16) | ¥ 89,727 | ¥ 86,449 | \$ 808,285 |

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Tokyo Century Corporation and Consolidated Subsidiaries

1. Basis of Presentation

Tokyo Century Corporation (the "Company") and its consolidated subsidiaries (collectively, the "Companies") maintain their books of accounts in accordance with the provisions set forth in the Company Law of Japan (the "Law"), the Financial Instruments and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements of the Companies, which were filed with the Director of the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements for the convenience of readers.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2019 is included solely for the convenience of readers and has been made at the rate of ¥111.01 = US\$1.00.

Yen amounts are rounded down to the nearest million yen. Totals and subtotals may not correspond to the aggregation of individual account balances.

2. Summary of Significant Accounting Policies

a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Investments in companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method.

The names of principal consolidated subsidiaries and equity method affiliated companies are as follows:

Consolidated Subsidiaries

Nippon Car Solutions Co., Ltd
Nippon Rent-A-Car Service, Inc.
Orico Auto Leasing Co., Ltd.
Fujitsu Leasing Co., Ltd.
IHI Finance Support Corporation
Orico Business Leasing Co., Ltd.
ITEC Leasing Co., Ltd.
S.D.L Co., Ltd.
TRY, Inc.
Amada Lease Co., Ltd.
SHINKO REAL ESTATE CO., LTD.
TC Property Solutions Corporation
TC Agency Corporation
TC Business Service Corporation
TC Business Experts Corporation
Kyocera TCL Solar LLC
TCLA Godo Kaisha
Shunan Power Corporation
Tokyo Century Leasing China Corporation
Tokyo Century Factoring China Corporation
TC Leasing Co., Ltd.
TC International Trading Co., Ltd.
Tokyo Century Leasing (Singapore) Pte. Ltd.

Tokyo Century Capital (Malaysia) Sdn. Bhd.
PT. Century Tokyo Leasing Indonesia
PT. TCT Indonesia
TISCO Tokyo Leasing Co., Ltd.
TC Advanced Solutions Co., Ltd.
TC Car Solutions (Thailand) Co., Ltd.
HTC Leasing Co., Ltd.
Tokyo Leasing (Hong Kong) Ltd.
Tokyo Century Asia Pte. Ltd.
CSI Leasing, Inc.
Tokyo Century (USA) Inc.
TC Aviation Capital Ireland Limited
TC Skyward Aviation U.S., Inc.
TC Skyward Aviation Ireland Limited
CT Telesis Investments Inc.
TC Realty Investments Inc.
Tokyo Leasing (UK) Plc

Equity Method Affiliated Companies

Nittochi Asset Management Co., Ltd.
Bplats, Inc.
President Tokyo Corporation
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.
Suzhou New District Furui Leasing Co., Ltd.
BPI Century Tokyo Lease & Finance Corporation
P.T. Hexa Finance Indonesia
GA Telesis, LLC
Aviation Capital Group LLC

(1) Number of consolidated subsidiaries: 207

SHINKO REAL ESTATE CO., LTD. and 9 other companies have been newly included in the scope of consolidation mainly due to share acquisition. In addition, Tokyo Century Asia Pte. Ltd. and 7 other companies, (all of) which were newly incorporated, are included in the scope of consolidation.

4 companies have been excluded from the scope of consolidation mainly due to their liquidation.

(2) Unconsolidated subsidiaries

TLC Capital Co., Ltd. and 107 other companies are operators of the leasing business mainly based on silent partnership agreements. The profit or loss and assets of those companies are not attributable to them. As a result, they have been excluded from the scope of consolidation in accordance with article 5, paragraph 1, item 2 of the Regulations for Consolidated Financial Statements.

Also 5 other unconsolidated subsidiaries are immaterial in terms of their total assets, sales, net income or loss, retained earnings and other measures, and do not have a significant effect on the consolidated financial statements. As a result, they have been excluded from the scope of consolidation.

(3) Number of companies accounted for by the equity method: 29

Bplats, Inc. and 5 other companies have been newly included as an affiliated company accounted for by the equity method due to acquisition or establishment.

(4) Companies not accounted for by the equity method

TLC Capital Co., Ltd. and 107 other companies are operators of the leasing business mainly based on silent partnership agreements. The profit or loss and assets of those companies are not attributable to them. As a result, they have been excluded

from the scope of the equity method in accordance with article 5, paragraph 1, item 2 of the Regulations for Consolidated Financial Statements.

Also 5 other unconsolidated subsidiaries and 4 affiliated companies have not been accounted for by the equity method because these are immaterial in terms of their net income or loss, retained earnings and others, and do not have significant effect on the consolidated financial statements. As a result, they have been excluded from the scope of equity method.

Investments in Cyber Core Co., Ltd. and 1 other company are not accounted for under the equity method, as the purpose of these investments is to perform business investment and consultation and it is not the intention of the Company to exercise significant influence in terms of their operating and financial policies while the Company's shareholding ratios in these companies are between 20% and 50%.

With respect to affiliated companies accounted for by the equity method whose account closing dates differ from the closing date of the Company, the Company has mainly used their financial statements as of their respective fiscal year end.

In preparing the consolidated financial statements as of March 31, 2019, the financial statements of TLC Cranberry Co., Ltd. and 2 other subsidiaries are consolidated using financial statements prepared solely for consolidation purposes. Tokyo Century (USA) Inc. and 110 other subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, 2018, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31, 2019.

b) Foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at the balance sheet date. Foreign exchange gain or loss on translation is recognized in the consolidated statement of income.

However, assets and liabilities denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuations are translated into Japanese yen at the contracted rates.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and non-controlling interests in its consolidated financial statements.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks, net of overdrafts and short-term investments with original maturities of three months or less which are readily convertible into cash and are subject to little risk of any change in their value.

d) Revenue recognition

(Finance leases)

Lease revenues and the related costs of sales are recognized as lease payments become due.

(Operating leases)

Revenues from operating leases are recognized on a straight-line basis over the scheduled lease terms, and leased assets are depreciated by the straight-line method based on the scheduled lease terms of the respective assets.

(Installment sales)

Installment sales and the related costs are recognized when each payment becomes due under the respective installment sales agreements.

e) Allocation of interest expense

Interest expense is allocated to cost of sales and other expenses based on the balances of the respective operating assets, which consist principally of lease receivables, lease investment assets and loans. Interest expense classified as cost of sales is stated net of interest income.

f) Securities

Securities held by the Companies are classified as available-for-sale securities. Marketable available-for-sale securities are carried at fair value with any unrealized gain or loss, net of the related income taxes, included directly in net assets. Cost of securities sold is determined principally by the moving average method. Non-marketable available-for-sale securities are stated at cost determined principally by the moving average method.

Investments in limited partnerships, which are considered securities under Article 2, Clause 2 of the Japanese Financial Instruments and Exchange Act, are accounted for using the equity method and based on the latest consolidated financial statements available on the reporting date as stipulated in the partnership agreements.

The Companies hold investments in operating securities to earn investment income. These investments are included in "Operational investment securities". In addition, the Companies record income from these securities as "Revenues" in the consolidated statements of income.

g) Inventories

Inventories held by the Companies are stated at the lower of cost or net realizable value, which is determined by the specific identification method (whereby carrying values are reduced where a decline in market value below cost is identified).

h) Property and equipment

(Leased assets)

The leased assets are initially recorded at their acquisition cost and depreciated over the lease term on a straight-line basis to the residual value that is the amount to be realized at the time when the lease contract is terminated.

(Own used assets)

Property and equipment held for the Companies own use are stated at cost.

Depreciation of assets owned and used by the Companies is calculated primarily by the declining-balance method based on the estimated useful lives of the respective assets which range principally from 3 to 39 years for buildings and structures, and from 3 to 20 years for equipment, except for certain buildings acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016, which are depreciated by the straight-line method.

i) Intangible assets

Computer software leased to customers is amortized by the straight-line method based on the lease term of the respective assets. Costs related to software purchased for internal use are amortized by the straight-line method over the estimated useful life (generally 5 years).

Goodwill is amortized by the straight-line method over a period between 5 and 20 years.

j) Income taxes

Provision is made for the Companies' liabilities for various types of income taxes, i.e., corporation, inhabitants and enterprise taxes.

Deferred tax assets and liabilities are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating losses and tax credits carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which these temporary differences are expected to be recovered or settled.

k) Retirement benefits

Accrued retirement benefits for employees have been provided mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date. Certain domestic subsidiaries have defined benefit plans covering substantially all employees other than directors and corporate auditors. Under the terms of these plans, eligible employees are entitled to lump-sum or annuity payments based on their level of compensation at termination and their years of service with the subsidiaries. (For further details, please refer to "3. Changes in accounting policies".)

In addition, accrued retirement benefits for directors and corporate auditors are provided for an amount to be required at the year-end according to internal regulations.

l) Derivatives and hedging activities

The Companies enter into interest-rate swap contracts, forward foreign exchange contracts, currency swaps and loans from banks in order to hedge interest-rate and foreign currency exchange rate exposure on certain liabilities and assets, including loans from banks, installment sales receivables, forecasted transactions and a net investment in a foreign subsidiary and affiliate. The Companies utilize these derivatives to reduce the risk of cash flow fluctuation inherent in the liabilities and assets hedged and such transactions are not entered into for speculative or trading purposes.

For interest-rate swap contracts and forward foreign exchange contracts, the Companies follow "Accounting Standard for Financial Instruments" and "Accounting Standard for Foreign Currency Transactions." More specifically, interest-rate swaps not designated as hedging instruments are recorded at fair value in the consolidated balance sheet. Interest-rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. Other interest-rate swaps which qualify for hedge accounting are measured at fair value as of the balance sheet date and the recognition of any unrealized gain or loss is deferred until maturity.

For forward foreign exchange contracts, the Companies follow the accounting method specified in "Accounting Standard for Financial Instruments" ("Allocation method"), if the contracts qualify for hedge accounting. Under this method, foreign currency transactions and the related monetary assets (installment sales receivables and loans receivables) are to be translated at the fixed yen amount of such foreign currency contracts at the settlement dates based on the contracted rates. The difference between this amount and the amount as translated at the current rate of exchange on the date of forward contract is allocated over the life of each contract.

Hedge effectiveness is assessed based on comparative analysis between the accumulated future cash flows for hedged items and those for hedging instruments. As for the hedging of forecast transactions denominated in foreign currencies, hedge effectiveness is assessed if substantial terms and conditions such as amounts and periods of the hedging instruments and the hedged forecasted transactions are the same. Hedge effectiveness is not assessed for the foreign currency exchange contracts which meet the requirements for allocation method and the interest rate swaps which meet the requirements for short-cut method. The consolidated subsidiaries for the Company assess hedge effectiveness primarily based on the above methods.

m) Appropriation of retained earnings

Under the Law the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

Under the Law, flexible payment of dividends is permissible subject to certain limits on appropriation of retained earnings as well as to approval by resolution of the shareholders.

n) Allowance for doubtful accounts

The allowance for doubtful accounts is recorded on the basis of historical experience to provide for possible losses from bad debts related to general trade accounts and also for the estimated amounts considered to be uncollectible after individually reviewing the specific collectibility of certain doubtful accounts.

The amounts of long-term receivables considered uncollectible were directly written off from claims provable in bankruptcy or rehabilitation. The amounts directly written off were ¥1,237 million (\$11,143 thousand) at March 31, 2019.

o) Provision for directors' bonuses

To prepare for the payment of directors' bonuses, a provision is recorded based on the estimated amount of the required payment as of the end of the current fiscal year.

p) Provision for directors' retirement benefits

To prepare for the payment of directors' retirement benefits, a provision is recorded based on the amount to be paid with respect to the current fiscal year pursuant to internal rules.

q) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

r) Provision for automobile inspection costs

Under lease and maintenance service contracts, provision for automobile inspection costs is recorded on the basis of historical experience.

3. Changes in Accounting Policies

The Company changed its retirement payments and pension plan on October 1, 2018, to terminate the defined benefit corporate pension (DB) plan it previously employed and while continuing to operate only its defined contribution corporate pension (DC) plan. However, as the maximum amount of premium contribution in a DC plan is prescribed in laws and regulations (¥660 thousand per year), the portion exceeding the maximum amount is paid as lump-sum retirement payments. As a result, in calculation of retirement benefit obligations in relation to the lump-sum retirement payments, the method of attributing retirement benefit obligations to periods has been changed from the straight-line basis previously employed to a benefit formula basis. This change was made based on the judgment that since the vast majority of retirement benefit expenses in the new plan consist of expenses based on the DC plan, recognizing expenses in relation to the lump-sum retirement payments based on the benefit formula under which they are incurred in a pattern similar to the DC plan is more appropriate.

This change has an insignificant impact on net income for the current fiscal year.

4. Accounting Standards Issued Not Yet Applied

"Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)"

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30)"

(1) Overview

These standard and guidance are comprehensive accounting standards for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the separate performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of application

The Company will apply these standard and guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of application of the accounting standard

The Company is currently evaluating the potential impacts that the application of these standard and guidance will have on the Consolidated Financial Statements.

5. Changes in Presentation Method

(Consolidated Balance Sheet)

The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) (hereinafter, the "Partial Amendments") from the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively.

As a result, for the Consolidated Balance Sheets for the previous fiscal year, "deferred tax assets" within "current assets" decreased by ¥9,590 million, and "deferred tax assets" within "investments and other assets" increased by ¥5,249 million. "Deferred tax liabilities" within "current liabilities" decreased by ¥1,236 million, and "deferred tax liabilities" within "long-term liabilities" decreased by ¥3,105 million.

Also, "Note 17 Income Taxes" in the Notes to the consolidated financial statements has been expanded in accordance with Note 8 and Note 9 of Interpretive Notes to Accounting for Tax Effect Accounting. However, comparative information for the year ended March 31, 2018 has not been disclosed in Note 17 in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments.

(Consolidated Statement of Income)

"Loss on derivatives other than for trading or hedging" in the amount of ¥22 million in the fiscal year ended March 31, 2018, which was previously presented separately, is included in "Other, net" for the fiscal year ended March 31, 2019 since the amount is insignificant.

"Loss on devaluation of investments in securities" in the amount of ¥3 million in the fiscal year ended March 31, 2018, which was previously included in "Other, net," is presented separately for the fiscal year ended March 31, 2019 since the amount is significant.

6. Additional Information

(Changes in holding purpose of investment securities)

Regarding "Investments in securities" under "Investments and other assets", the Company reviewed the holding purpose for these investments in the current fiscal year, primarily in line with changes in the capital policy of investee companies. As a result, a portion of "Investments in securities" has been reclassified as "Operational investment securities" under current assets as securities held for the purpose of earning income. Accordingly, the balance of the security whose holding purpose has been changed in the amount of ¥28,249 million has been included in "Operational investment securities" in the Consolidated Balance Sheets for the current fiscal year.

7. Inventories

The breakdown of inventories as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|--------|---------------------------|
| | 2019 | 2018 | 2019 |
| Merchandise and finished goods | ¥7,037 | ¥1,177 | \$63,391 |
| Work in progress | 3,629 | — | 32,699 |

8. Notes Matured at the End of the Fiscal Year

The notes matured at the end of the fiscal year were treated as if they would have been settled on that date, although the date was a bank holiday.

| | Millions of yen | | Thousands of U.S. dollars |
|------------------|-----------------|------|---------------------------|
| | 2019 | 2018 | 2019 |
| Notes receivable | ¥ 64 | ¥ 1 | \$ 578 |
| Notes payable | 867 | 987 | 7,816 |

9. Operational Investment Securities, Short-term Investment Securities and Investments in Securities

Operational investment securities, short-term investment securities and investments in securities as of March 31, 2019 and 2018 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Available-for-sale securities | ¥230,239 | ¥202,731 | \$2,074,045 |
| Investments in unconsolidated subsidiaries and affiliates | 249,570 | 203,622 | 2,248,180 |
| | ¥479,810 | ¥406,354 | \$4,322,226 |

Available-for-sale securities included in operational investment securities, short-term investment securities and investments in securities as of March 31, 2019 and 2018 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Equity securities | ¥ 89,284 | ¥ 74,747 | \$ 804,294 |
| Debt securities | 10,501 | 12,553 | 94,599 |
| Other | 130,453 | 115,430 | 1,175,152 |
| | ¥230,239 | ¥202,731 | \$2,074,045 |

The carrying amounts and aggregate fair value of available-for-sale securities with determinable market value as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | | |
|-------------------|--------------------|-----------------|-----------------|------------|
| | March 31, 2019 | | | |
| | Cost or book value | Unrealized gain | Unrealized loss | Fair value |
| Equity securities | ¥35,461 | ¥20,755 | ¥2,065 | ¥54,151 |
| Debt securities | 10,000 | 201 | — | 10,201 |
| Other | 28,078 | 4,783 | — | 32,861 |

| | Millions of yen | | | |
|-------------------|--------------------|-----------------|-----------------|------------|
| | March 31, 2018 | | | |
| | Cost or book value | Unrealized gain | Unrealized loss | Fair value |
| Equity securities | ¥22,347 | ¥26,064 | ¥565 | ¥47,846 |
| Debt securities | 12,000 | 258 | 4 | 12,253 |
| Other | 30,832 | 1,735 | 273 | 32,293 |

| | Thousands of U.S. dollars | | | |
|-------------------|---------------------------|-----------------|-----------------|------------|
| | March 31, 2019 | | | |
| | Cost or book value | Unrealized gain | Unrealized loss | Fair value |
| Equity securities | \$319,443 | \$186,972 | \$18,604 | \$487,810 |
| Debt securities | 90,081 | 1,815 | — | 91,897 |
| Other | 252,932 | 43,089 | — | 296,021 |

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2019 and 2018 were as follows:

| | Carrying amount | | Thousands of U.S. dollars |
|-------------------|-----------------|---------|---------------------------|
| | Millions of yen | | |
| | 2019 | 2018 | 2019 |
| Equity securities | ¥35,132 | ¥26,900 | \$316,483 |
| Debt securities | 299 | 299 | 2,702 |
| Other | 97,592 | 83,136 | 879,130 |

Proceeds from the sale of available-for-sale securities and the resulting realized gain or loss for the years ended March 31, 2019 and 2018 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------|-----------------|--------|---------------------------|
| | 2019 | 2018 | 2019 |
| Proceeds | ¥4,701 | ¥9,035 | \$42,350 |
| Realized gain | 3,123 | 2,602 | 28,132 |
| Realized loss | — | — | — |

The impairment losses on securities recognized for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
| | 2019 | 2018 | 2019 |
| Available-for-sale securities: | | | |
| Equity securities | ¥454 | ¥— | \$4,090 |
| Other | 108 | — | 975 |
| Investments in unconsolidated subsidiaries and affiliates: | | | |
| Unconsolidated subsidiaries | 9 | 3 | 86 |
| | ¥571 | ¥3 | \$5,151 |

10. Accumulated Depreciation of Property and Equipment

The accumulated depreciation of property and equipment as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Leased assets | ¥439,351 | ¥371,678 | \$3,957,764 |
| Other operating assets | 8,564 | 4,452 | 77,147 |
| Own assets in use | 14,414 | 12,699 | 129,846 |

11. Short-Term Borrowings, Long-Term Debt and Assets Pledged

The breakdown of short-term borrowings as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars | Average interest rate |
|--|-----------------|------------|---------------------------|-----------------------|
| | 2019 | 2018 | 2019 | |
| Short-term loans from banks | ¥ 486,653 | ¥ 428,850 | \$ 4,383,875 | 1.26% |
| Commercial paper | 872,300 | 848,000 | 7,857,850 | 0.02% |
| Payables under securitized lease receivables | 75,900 | 61,900 | 683,728 | 0.09% |
| Total | ¥1,434,854 | ¥1,338,750 | \$12,925,454 | |

(Note) The average interest rate represents the weighted-average interest rate applicable to the year-end balance.

The breakdown of long-term debt as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars | Average interest rate |
|--|-----------------|------------|---------------------------|-----------------------|
| | 2019 | 2018 | 2019 | |
| Long-term loans, principally from banks | ¥1,304,175 | ¥1,203,165 | \$11,748,273 | 1.43% |
| Long-term payables under securitized lease receivables | 2,771 | 4,072 | 24,963 | 0.10% |
| Bonds payable | 299,433 | 264,692 | 2,697,355 | 0.58% |
| Total | 1,606,380 | 1,471,930 | 14,470,592 | |
| Less current portion | 515,906 | 404,824 | 4,647,385 | |
| | ¥1,090,474 | ¥1,067,105 | \$ 9,823,206 | |

(Note) The average interest rate represents the weighted-average interest rate applicable to the year-end balance.

The Companies have entered into overdraft contracts which provided the Companies with overdraft facilities with 105 and 106 financial institutions as of March 31, 2019 and 2018 amounting to ¥1,484,326 million (\$13,371,101 thousand) and ¥1,413,477 million, respectively. The unused facilities maintained by the Companies as of March 31, 2019 and 2018 amounted to ¥957,750 million (\$8,627,603 thousand) and ¥967,834 million, respectively.

The aggregate annual maturity of long-term debt subsequent to March 31, 2019 is summarized as follows:

| Years Ending March 31, | Millions of yen | Thousands of U.S. dollars |
|------------------------|-----------------|---------------------------|
| 2020 | ¥ 515,906 | \$ 4,647,385 |
| 2021 | 447,844 | 4,034,269 |
| 2022 | 340,549 | 3,067,737 |
| 2023 | 150,783 | 1,358,285 |
| 2024 | 102,587 | 924,127 |
| 2025 and thereafter | 48,709 | 438,785 |
| | ¥1,606,380 | \$14,470,592 |

The Companies' assets pledged as collateral, principally for liabilities of ¥261,081 million (\$2,351,874 thousand), as of March 31, 2019 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Cash on hand and in banks | ¥ 503 | \$ 4,538 |
| Accounts receivable-installment sales | 4,647 | 41,866 |
| Accounts receivable-lease receivables and investment assets | 225,442 | 2,030,830 |
| Accounts receivable-loans | 3,019 | 27,202 |
| Operational investment securities | 1,111 | 10,014 |
| Inventories | 811 | 7,308 |
| Other current assets | 9,558 | 86,104 |
| Leased assets | 48,518 | 437,068 |
| Advances for purchases of property for lease | 8,906 | 80,228 |
| Own assets in use | 2,182 | 19,661 |
| Investments in securities | 61 | 550 |
| Other investments | 70 | 636 |
| Total | ¥304,834 | \$2,746,011 |

12. Derivatives

In general, interest-rate swaps and forward foreign exchange contracts are exposed to market risk arising from fluctuation in interest rates and foreign exchange rates, and to credit risk arising from the potential for default by the counterparties. As the derivative instruments which the Companies utilize aim to reduce the risk of fluctuation in interest rates and foreign exchange rates associated with the underlying assets and liabilities hedged, these derivatives function to reduce the overall market risk to which the Companies are exposed. The Companies believe that any related credit risk is very low because all counterparties to the derivatives instrument are financial institutions with high credit ratings.

With respect to the interest-rate swap contracts entered into by the Company, the Treasury Department, which is responsible for financing activities, handles the execution of, and monitors the internal control over, these transactions in accordance with the Company's internal regulations. The ALM Committee determines the Company's hedging strategy for the coming six months based on an analysis of market rate trends and the Treasury Department enters into derivatives transactions in accordance with this strategy.

The Treasury Department is also involved in the management of risk associated with foreign exchange rate fluctuation on an individual contract basis.

Before the Company executes the transactions involving compound derivative instruments where credit derivatives are embedded, persons responsible sufficiently confer on the type or management method of the risk beforehand, and then obtain approval in accordance with the Company's internal regulations.

The consolidated subsidiaries of the Company follow the Company's internal regulations, and regularly report to the Company the results of their hedging activities, the counterparties, the period remaining for each contract and the fair value of the transactions.

Derivative transactions to which hedge accounting had not been applied as of March 31, 2019 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|-----------------------------|------------------------------------|---------------|---------------------------|------------------------------------|---------------|---------------------------|
| | Notional amount (over one year) | Fair value | Unrealized gain (loss) | Notional amount (over one year) | Fair value | Unrealized gain (loss) |
| Forward exchange contracts: | | | | | | |
| Put/EUR | ¥ 3,924 (308) | ¥ 62 | ¥ 62 | \$ 35,355 (2,778) | \$ 562 | \$ 562 |
| Put/BRL | 2,653 (1,361) | 71 | 71 | 23,901 (12,266) | 647 | 647 |
| Put/MXN | 4,993 (2,583) | (67) | (67) | 44,978 (23,275) | (607) | (607) |
| Put/GBP | 87 (25) | 3 | 3 | 791 (226) | 31 | 31 |
| Put/Other | 1,610 (777) | 25 | 25 | 14,505 (7,006) | 232 | 232 |
| Call/EUR | 55 (22) | (1) | (1) | 496 (202) | (11) | (11) |
| Call/Other | 73 — | 0 | 0 | 658 — | 4 | 4 |
| Total | ¥13,397 (5,079) | ¥ 95 | ¥ 95 | \$120,688 (45,755) | \$ 860 | \$ 860 |

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

Derivative transactions to which hedge accounting had not been applied as of March 31, 2018 were as follows:

| | Millions of yen | | |
|-----------------------------|------------------------------------|---------------|---------------------------|
| | Notional amount (over one year) | Fair value | Unrealized gain (loss) |
| Currency swap contracts: | | | |
| Receive/JPY; Pay/USD | ¥ 1,613 (—) | ¥ (19) | ¥ (19) |
| Receive/JPY; Pay/IDR | 562 (62) | (52) | (52) |
| Non-deliverable forward: | | | |
| Put/RMB | 28 (—) | (9) | (9) |
| Forward exchange contracts: | | | |
| Put/EUR | 5,016 (946) | (163) | (163) |
| Put/BRL | 2,518 (1,250) | (359) | (359) |
| Put/MXN | 3,758 (1,993) | 174 | 174 |
| Put/GBP | 203 (57) | 0 | 0 |
| Put/Other | 908 (469) | (44) | (44) |
| Call/USD | 1,613 (—) | 19 | 19 |
| Call/Other | 553 (25) | 13 | 13 |
| Total | ¥16,775 (4,804) | ¥(440) | ¥(440) |

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

Derivative transactions to which hedge accounting had been applied as of March 31, 2019 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars | |
|-----------------------------|---------------------------------------|------------------------------------|---------------|------------------------------------|---------------|
| | Hedged items | Notional amount (over one year) | Fair value | Notional amount (over one year) | Fair value |
| Allocation method: | | | | | |
| Forward exchange contracts: | | | | | |
| Put | | | | | |
| USD | Accounts receivable–installment sales | ¥ 1,645 (954) | ¥ (92) | \$ 14,826 (8,594) | \$ (834) |
| RMB | Accounts receivable–installment sales | 386 (190) | (44) | 3,485 (1,720) | (402) |
| Call | | | | | |
| USD | Accounts receivable–installment sales | 189 (—) | 1 | 1,706 (—) | 9 |
| EUR | Accounts receivable–installment sales | 179 (—) | 1 | 1,616 (—) | 17 |
| Currency swap contracts: | | | | | |
| Receive/USD; Pay/MYR | Borrowings | 3,881 (3,881) | (63) | 34,968 (34,968) | (571) |
| Receive/USD; Pay/THB | Borrowings | 2,046 (1,364) | (10) | 18,430 (12,287) | (97) |
| Deferral hedge accounting: | | | | | |
| Forward exchange contracts: | | | | | |
| Put | | | | | |
| EUR | Net investment in foreign subsidiary | 3,051 (—) | 68 | 27,490 (—) | 615 |
| GBP | Net investment in foreign subsidiary | 2,748 (—) | 75 | 24,762 (—) | 682 |
| Call | | | | | |
| USD | Forecasted transactions | 27,815 (27,815) | 968 | 250,568 (250,568) | 8,725 |
| CAD | Forecasted transactions | 10,530 (10,530) | (74) | 94,857 (94,857) | (674) |
| Currency swap contracts: | | | | | |
| Receive/JPY; Pay/IDR | Borrowings | 500 (500) | (8) | 4,504 (4,504) | (74) |
| Total | | ¥ 52,975 (45,236) | ¥820 | \$ 477,217 (407,500) | \$7,395 |

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

| | Millions of yen | | | Thousands of U.S. dollars | |
|--------------------------------|-----------------|------------------------------------|---------------|------------------------------------|---------------|
| | Hedged items | Notional amount (over one year) | Fair value | Notional amount (over one year) | Fair value |
| Interest rate swap | | | | | |
| Deferral hedge accounting: | | | | | |
| Pay/fixed; Receive/floating | Borrowings | ¥ 115,949 (104,848) | ¥(1,346) | \$ 1,044,496 (944,496) | \$(12,131) |
| Short-cut method: | | | | | |
| Pay/fixed; Receive/floating | Borrowings | 23,016 (21,881) | 47 | 207,341 (197,113) | 425 |
| Total | | ¥ 138,966 (126,730) | ¥(1,299) | \$ 1,251,837 (1,141,609) | \$(11,705) |

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

Derivative transactions to which hedge accounting had been applied as of March 31, 2018 were as follows:

| Millions of yen | | | |
|-----------------------------|---------------------------------------|------------------------------------|---------------|
| | Hedged items | Notional amount (over one year) | Fair value |
| Allocation method: | | | |
| Forward exchange contracts: | | | |
| Put | | | |
| USD | Accounts receivable–installment sales | ¥ 2,297 (1,206) | ¥ (13) |
| RMB | Accounts receivable–installment sales | 568 (238) | (71) |
| Call | | | |
| USD | Accounts receivable–installment sales | 38 (–) | 0 |
| Other | Accounts receivable–installment sales | 9 (–) | 0 |
| Currency swap contracts: | | | |
| Receive/USD; Pay/MYR | Borrowings | 3,956 (1,695) | (104) |
| Receive/USD; Pay/THB | Borrowings | 4,341 (2,076) | (10) |
| Deferral hedge accounting: | | | |
| Forward exchange contracts: | | | |
| Put | | | |
| EUR | Net investment in foreign subsidiary | 3,394 (–) | (57) |
| GBP | Net investment in foreign subsidiary | 2,915 (–) | (86) |
| Call | | | |
| USD | Forecasted transactions | 26,627 (26,627) | (970) |
| CAD | Forecasted transactions | 10,499 (10,499) | (617) |
| Total | | ¥ 54,648 (42,344) | ¥(1,931) |

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

| Millions of yen | | | |
|--------------------------------|---|------------------------------------|---------------|
| | Hedged items | Notional amount (over one year) | Fair value |
| Interest rate swap | | | |
| Deferral hedge accounting: | | | |
| Pay/fixed; Receive/floating | Borrowings | ¥ 83,131 (80,321) | ¥411 |
| Short-cut method: | | | |
| Pay/fixed; Receive/floating | Borrowings Accounts receivable-loans | 35,943 (24,218) | 207 |
| Total | | ¥ 119,074 (104,540) | ¥618 |

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

13. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Employees' salaries, wages and bonuses | ¥44,912 | ¥39,396 | \$404,581 |
| Rent expenses | 13,477 | 11,935 | 121,409 |
| Provision for accrued bonuses for employees | 3,293 | 2,918 | 29,667 |
| Retirement benefit expenses | 2,145 | 2,060 | 19,329 |
| Provision for accrued bonuses for directors | 318 | 238 | 2,870 |
| Provision of allowance for doubtful accounts | 259 | (315) | 2,339 |
| Provision for directors' retirement benefits | 109 | 56 | 987 |

14. Impairment Loss

The impairment loss for the years ended March 31, 2019 and 2018 were as follows.

| Category | Types of Assets | Millions of yen | | Thousands of U.S. dollars |
|---------------|--|-----------------|--------|---------------------------|
| | | 2019 | 2018 | 2019 |
| Leased Assets | Transportation equipment (Aircraft) etc. | ¥1,946 | ¥2,624 | \$17,531 |

As the lease assets decreased in profitability due to the decline in the future cash flow, the impairment loss was recorded in costs by reducing the book value to the recoverable value.

The recoverable value of the leased assets was measured at the net sales value, evaluated based on the amounts calculated based on reasonable method by a third party.

15. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Net unrealized holding gain (loss) on securities | | | |
| Amount arising during the year | ¥(1,810) | ¥ 5,325 | \$(16,313) |
| Reclassification adjustments for gains and losses included in net income | (1,226) | (2,520) | (11,044) |
| Amount before tax effect | (3,037) | 2,804 | (27,357) |
| Tax effect | 888 | (848) | 8,006 |
| Net unrealized holding gain (loss) on securities | (2,148) | 1,956 | (19,351) |
| Deferred gain (loss) on hedges | | | |
| Amount arising during the year | 1,178 | (2,039) | 10,618 |
| Reclassification adjustments for gains and losses included in net income | (73) | 235 | (664) |
| Amount before tax effect | 1,104 | (1,804) | 9,953 |
| Tax effect | (251) | 538 | (2,261) |
| Deferred gain (loss) on hedges | 853 | (1,265) | 7,692 |
| Translation adjustments | | | |
| Amount arising during the year | (6,744) | (609) | (60,753) |
| Remeasurements of defined benefit plans | | | |
| Amount arising during the year | (642) | 249 | (5,790) |
| Reclassification adjustments for gains and losses included in net income | 834 | 384 | 7,519 |
| Amount before tax effect | 191 | 634 | 1,728 |
| Tax effect | (55) | (192) | (500) |
| Remeasurements of defined benefit plans | 136 | 442 | 1,228 |
| Share of other comprehensive income (loss) of affiliates accounted for using equity method | | | |
| Amount arising during the year | (846) | (509) | (7,629) |
| Reclassification adjustments for gains and losses included in net income | — | — | — |
| Share of other comprehensive income (loss) of affiliates accounted for using equity method | (846) | (509) | (7,629) |
| Total other comprehensive income (loss) | ¥(8,749) | ¥ 13 | \$(78,813) |

16. Notes to the Consolidated Statements of Cash Flows

The breakdown of cash and cash equivalents as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Cash on hand and in banks | ¥99,058 | ¥82,212 | \$892,341 |
| Time deposits with maturities of more than three months | (9,701) | (992) | (87,389) |
| Cash equivalents included in short-term investment securities | 370 | 5,230 | 3,333 |
| Cash and cash equivalents | ¥89,727 | ¥86,449 | \$808,285 |

17. Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Deferred tax assets: | | | |
| Net operating loss carryforwards (Note 2) | ¥ 15,311 | ¥ 7,805 | \$ 137,931 |
| Net defined benefit liability | 3,402 | 2,836 | 30,650 |
| Tax adjustments for lease transactions | 3,243 | 3,130 | 29,220 |
| Valuation difference due to business combination | 2,792 | — | 25,154 |
| Loss on valuation of property and equipment | 2,788 | 385 | 25,115 |
| Accrued expenses | 1,880 | 1,896 | 16,940 |
| Deferred income | 1,606 | 1,641 | 14,474 |
| Allowance for doubtful accounts | 1,466 | 1,621 | 13,206 |
| Loss on devaluation of investments in securities | 1,401 | 959 | 12,629 |
| Accrued bonuses | 1,347 | 1,012 | 12,135 |
| Depreciation | 1,149 | 1,219 | 10,357 |
| Other | 8,890 | 5,668 | 80,084 |
| Subtotal | 45,280 | 28,178 | 407,900 |
| Valuation allowance for net operating loss carryforwards (Note 2) | (382) | — | (3,449) |
| Valuation allowance for deductible temporary difference | (6,736) | — | (60,687) |
| Total valuation allowance (Note 1) | (7,119) | (654) | (64,137) |
| Total deferred tax assets | 38,161 | 27,524 | 343,762 |
| Deferred tax liabilities: | | | |
| Depreciation of leased assets of foreign subsidiaries | (20,848) | (16,892) | (187,808) |
| Valuation difference due to business combination | (11,353) | (798) | (102,274) |
| Net unrealized holding gain on securities | (6,714) | (7,516) | (60,489) |
| Valuation difference due to reorganization | (5,822) | — | (52,449) |
| Other | (11,240) | (5,871) | (101,257) |
| Total deferred tax liabilities | (55,980) | (31,078) | (504,279) |
| Net deferred tax assets | ¥(17,818) | ¥ (3,554) | \$(160,516) |

Note 1: Valuation allowance increased ¥6,465 million (\$58,239 thousand), mainly due to the change in scope of consolidation

Note 2: A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2019 was as follows:

| | Millions of yen | | | | | | |
|---|----------------------|------------------------|------------------------|------------------------|------------------------|-------------------|---------|
| | As of March 31, 2019 | | | | | | |
| | Due within 1 year | Due after 1 to 2 Years | Due after 2 to 3 Years | Due after 3 to 4 Years | Due after 4 to 5 Years | Due after 5 Years | Total |
| Net operating loss carryforwards (Note 3) | ¥ 6 | ¥ 0 | ¥ 5 | ¥ 2 | ¥ 3 | ¥15,294 | ¥15,311 |
| Valuation allowance | (6) | (0) | (5) | (1) | (3) | (365) | (382) |
| Deferred tax assets | 0 | 0 | 0 | 0 | 0 | 14,928 | 14,928 |

| | Thousands of U.S. dollars | | | | | | |
|---|---------------------------|------------------------|------------------------|------------------------|------------------------|-------------------|-----------|
| | As of March 31, 2019 | | | | | | |
| | Due within 1 year | Due after 1 to 2 Years | Due after 2 to 3 Years | Due after 3 to 4 Years | Due after 4 to 5 Years | Due after 5 Years | Total |
| Net operating loss carryforwards (Note 3) | \$ 54 | ¥ 1 | \$ 50 | \$ 18 | \$ 34 | \$137,771 | \$137,931 |
| Valuation allowance | (54) | (0) | (50) | (17) | (32) | (3,294) | (3,449) |
| Deferred tax assets | 0 | 1 | 0 | 0 | 1 | 134,477 | 134,481 |

Note 3: The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

Note 4: Net operating loss carryforwards of ¥15,311 million (\$137,931 thousand) (the amount multiplied by the effective statutory tax rate) is calculated as deferred tax assets of ¥14,928 million (\$134,481 thousand). Such net operating loss carryforwards was mainly due to applying the accelerated depreciation method at overseas subsidiaries. A valuation allowance for such net operating loss carryforwards is not recognized for the portion judged to be recoverable based on forecast future taxable income.

(Changes in Presentation Method)

"Deferred income" in the amount of ¥1,641 million in the fiscal year ended March 31, 2018, which was included in "Other" under "Deferred tax assets" and "Valuation difference due to business combination" in the amount of ¥(798) million in the fiscal year ended March 31, 2018, which was included in "Other" under "Deferred tax liabilities" are presented separately in the fiscal year ended March 31, 2019 since the amount is significant.

"Unrealized gains or losses on intercompany transfer of assets" in the amount of ¥(1,661) million in the fiscal year ended March 31, 2018, which was presented separately, is included in "Other" under "Deferred tax liabilities" from the fiscal year ended March 31, 2019 since the amount is insignificant.

The reconciliations between the statutory effective tax rates and the effective tax rates for the years ended March 31, 2018 was as follows.

| | 2018 |
|---|--------|
| Statutory effective tax rate | 30.9% |
| (Adjustments) | |
| Changes in U.S. tax regulations | (3.8)% |
| Non-taxable income | (1.5)% |
| Expenses not deductible for tax purposes | 1.1% |
| Taxation of reserved profit of overseas subsidiaries | 1.4% |
| Other | 0.1% |
| Effective tax rate after the application of tax-effect accounting | 28.2% |

The reconciliations between the statutory effective tax rates and the effective tax rates for the year ended March 31, 2019 was not presented because the difference between the statutory effective tax rates and the effective tax rates is less than 5%.

18. Asset Retirement Obligations

The balance of asset retirement obligations is not presented due to immateriality for the years ended March 31, 2019 and 2018.

19. Retirement Benefit Plans

1. Overview of Retirement Benefit Plans Implemented by the Companies

The Company changed their retirement payments and pension plans in October 2018, to terminate a defined benefit corporate pension (DB) plan it previously employed and while continuing to operate only its defined contribution corporate pension (DC) plan. However, as the maximum amount of premium contribution in a DC plan is prescribed in laws and regulations, the portion exceeding the maximum amount should be paid as lump-sum retirement payments. Accordingly, a lump-sum retirement payment plan has been newly established. In addition, although the Company previously participated in a multiemployer plan under a corporate pension fund, it withdrew from the plan in September 2018. The Company may also offer extra early retirement benefit to employees on their retirement.

Certain domestic consolidated subsidiaries operate a lump-sum retirement payment plan and a DB plan as defined benefit plans, and a DC plan as a defined contribution plan. In addition, certain domestic consolidated subsidiary transferred part of their DB plans to risk sharing pension plans, which are classified as defined contribution plans under Paragraph 4 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, December 16, 2016). According to the pension rules, a risk sharing pension plan involves predetermined risk-based premium contributions, apart from standard contributions, whereby the amount of benefit payments may vary depending on the financial conditions of the risk sharing pension plans in each consolidated fiscal year, to ensure the pension plan's financial balance.

Certain domestic consolidated subsidiaries adopt a simplified method for calculating retirement benefit obligations.

2. Defined Benefit Plans (except the simplified method)

The changes in the retirement benefit obligation during the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Balance at the beginning of the year | ¥ 23,202 | ¥22,546 | \$ 209,012 |
| Service cost | 940 | 1,034 | 8,472 |
| Interest cost | 85 | 89 | 768 |
| Actuarial gain and loss | 222 | (0) | 2,004 |
| Retirement benefits paid | (437) | (468) | (3,939) |
| Prior service cost | 423 | — | 3,815 |
| Adjustment from the simplified method to the principle method | 4 | — | 36 |
| Impact of business combination | 1,654 | — | 14,905 |
| Transfer to the defined contribution corporate pension plan | (11,465) | — | (103,281) |
| Transfer to the risk sharing pension plan | (930) | — | (8,382) |
| Balance at the end of the year | ¥ 13,699 | ¥23,202 | \$ 123,412 |

The changes in plan assets during the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Balance at the beginning of the year | ¥ 15,315 | ¥14,374 | \$137,964 |
| Expected return on plan assets | 163 | 236 | 1,476 |
| Actuarial gain and loss | 25 | 246 | 229 |
| Contributions by the Company | 478 | 821 | 4,311 |
| Retirement benefits paid | (300) | (363) | (2,709) |
| Transfer to the defined contribution corporate pension plan | (10,208) | — | (91,961) |
| Transfer to the risk sharing pension plan | (749) | — | (6,751) |
| Balance at the end of the year | ¥ 4,724 | ¥15,315 | \$ 42,560 |

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2019 and 2018 for the Company's and the consolidated subsidiaries' defined benefit plans:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Funded retirement benefit obligation | ¥ 6,874 | ¥18,773 | \$ 61,922 |
| Plan assets at fair value | (4,724) | (15,315) | (42,560) |
| | 2,149 | 3,457 | 19,362 |
| Unfunded retirement benefit obligation | 6,825 | 4,429 | 61,489 |
| Net liability for retirement benefits in the balance sheet | 8,975 | 7,887 | 80,851 |
| | | | |
| Liability for retirement benefits | 8,975 | 7,887 | 80,851 |
| Net liability for retirement benefits in the balance sheet | ¥ 8,975 | ¥ 7,887 | \$ 80,851 |

The components of retirement benefit expense for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
| | 2019 | 2018 | 2019 |
| Service cost | ¥ 940 | ¥1,034 | \$ 8,472 |
| Interest cost | 85 | 89 | 768 |
| Expected return on plan assets | (163) | (236) | (1,476) |
| Amortization of actuarial gain and loss | 203 | 395 | 1,832 |
| Amortization of prior service cost | 31 | (10) | 286 |
| Other (Note) | 53 | 216 | 483 |
| Retirement benefit expense | ¥1,150 | ¥1,488 | \$10,366 |

(Note) "Other" was comprised of extra retirement payments paid on an extraordinary basis in the previous fiscal year. For the current fiscal year, this amount is comprised of cost of the transfer to the DC plan and the risk sharing pension plan. These are all recorded under extraordinary losses.

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|--------|---------------------------|
| | 2019 | 2018 | 2019 |
| Prior service cost | ¥(391) | ¥ (10) | \$(3,529) |
| Actuarial gain and loss | 583 | 644 | 5,256 |
| Total | ¥ 191 | ¥634 | \$ 1,727 |

(Note) The amounts of prior service cost, and actuarial gain and loss for the current fiscal year each include a reclassification adjustment associated with the transfer from the DB plan to the DC plan and the risk sharing pension plan (¥(423) million for prior service cost, ¥592 million for actuarial gain and loss).

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Unrecognized prior service cost | ¥ 270 | ¥ (121) | \$2,438 |
| Unrecognized actuarial gain and loss | 797 | 1,380 | 7,183 |
| Total | ¥1,068 | ¥1,259 | \$9,621 |

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 were as follows:

| | 2019 | 2018 |
|--------------------|------|------|
| General accounts | 25% | 50% |
| Debt investments | 41% | 30% |
| Equity investments | 23% | 15% |
| Others | 11% | 5% |
| Total | 100% | 100% |

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans are as follows:

| | | 2019 | 2018 |
|---|--------|------------|-----------|
| Discount rates | Mainly | 0.01%–0.6% | 0.2%–0.6% |
| Expected rates of return on plan assets | Mainly | 1.0%–2.5% | 1.0%–2.5% |
| Estimated rates of salary increases | Mainly | 1.0%–7.3% | 1.3%–7.3% |

3. Defined Benefit Plans (The simplified method)

The changes in liability for retirement benefits during the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
| | 2019 | 2018 | 2019 |
| Balance at the beginning of the year | ¥1,593 | ¥1,367 | \$14,358 |
| Retirement benefits expense | 251 | 384 | 2,262 |
| Retirement benefits paid | (122) | (422) | (1,103) |
| Increase due to acquisition of subsidiaries | 329 | 264 | 2,970 |
| Adjustment from the simplified method to the principle method | (4) | — | (36) |
| Balance at the end of the year | ¥2,048 | ¥1,593 | \$18,451 |

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2019 and 2018 for the Company's and the consolidated subsidiaries' defined benefit plans:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
| | 2019 | 2018 | 2019 |
| Funded retirement benefit obligation | ¥ 442 | ¥ 407 | \$ 3,987 |
| Plan assets at fair value | (143) | (155) | (1,297) |
| | 298 | 251 | 2,690 |
| Unfunded retirement benefit obligation | 1,749 | 1,342 | 15,761 |
| Net liability for retirement benefits in the balance sheet | 2,048 | 1,593 | 18,451 |
| Liability for retirement benefits | 2,056 | 1,614 | 18,527 |
| Asset for retirement benefits | (8) | (20) | (75) |
| Net liability for retirement benefits in the balance sheet | ¥2,048 | ¥1,593 | \$18,451 |

Retirement benefit expenses for the years ended March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------|-----------------|------|---------------------------|
| | 2019 | 2018 | 2019 |
| Retirement benefit expenses | ¥251 | ¥384 | \$2,262 |

4. Defined Contribution Plans

Contributions to the defined contribution pension plan by the Company and its consolidated subsidiaries during the years ended March 31, 2019 and 2018 were ¥753 million (\$6,784 thousand) and ¥226 million, respectively.

The risk-based premium contribution required from the following fiscal year onward amounts to ¥45 million (\$406 thousand), which shall continue for the remaining period of 3 years.

5. Until September 2018 the Company participated in a multiemployer plan under a corporate pension fund. Since pension assets that correspond to the Company's contribution amount could not be reasonably calculated under the plan, it was accounted for in the same way as defined contribution plans, with contributions recognized in profit or loss as they became due.

The contributions to this multiemployer plan for the years ended March 31, 2019 and 2018 were ¥84 million (\$762 thousand) and ¥176 million, respectively.

This plan was distinct from the multiemployer plan under a corporate pension fund in which certain domestic consolidated subsidiaries participate, information on which is included in "2. Defined Benefit Plans," since pension assets that correspond to the subsidiaries' contribution amount can be reasonably calculated under the plan.

20. Lease Transactions

(Lessees' accounting)

The Companies lease equipment under finance leases. Depreciation of leased assets is calculated by the straight-line method based on the lease term of the respective assets with no residual value.

The breakdown of future minimum lease payments under non-cancelable operating leases as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|--------|---------------------------|
| | 2019 | 2018 | 2019 |
| Due within 1 year | ¥2,232 | ¥1,588 | \$20,109 |
| Due after 1 year | 5,069 | 4,125 | 45,666 |
| Total | ¥7,301 | ¥5,713 | \$65,775 |

(Lessors' accounting)

Finance leases that do not transfer ownership to lessee are capitalized as lease investment assets. Information relating to finance leases of the Companies as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|------------|---------------------------|
| | 2019 | 2018 | 2019 |
| Future lease receivables | ¥1,384,001 | ¥1,317,720 | \$12,467,356 |
| Estimated residual value | 52,909 | 51,979 | 476,619 |
| Future interest income | (92,278) | (85,529) | (831,266) |
| Total | ¥1,344,631 | ¥1,284,170 | \$12,112,708 |

The aggregate annual maturity of finance lease receivables that transfer ownership to lessees, subsequent to March 31, 2019 and 2018 was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Due within 1 year | ¥ 85,620 | ¥104,341 | \$ 771,288 |
| Due after 1 to 2 years | 62,113 | 65,192 | 559,527 |
| Due after 2 to 3 years | 39,759 | 51,409 | 358,162 |
| Due after 3 to 4 years | 23,642 | 27,307 | 212,976 |
| Due after 4 to 5 years | 12,828 | 13,166 | 115,560 |
| Due after 5 years | 12,960 | 17,734 | 116,746 |
| Total | ¥236,924 | ¥279,151 | \$2,134,262 |

The aggregate annual maturity of finance lease receivables that do not transfer ownership to lessees, subsequent to March 31, 2019 and 2018 was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------|-----------------|------------|---------------------------|
| | 2019 | 2018 | 2019 |
| Due within 1 year | ¥ 445,595 | ¥ 448,357 | \$ 4,014,013 |
| Due after 1 to 2 years | 333,304 | 317,984 | 3,002,475 |
| Due after 2 to 3 years | 245,572 | 230,814 | 2,212,164 |
| Due after 3 to 4 years | 165,014 | 151,806 | 1,486,481 |
| Due after 4 to 5 years | 101,050 | 88,320 | 910,280 |
| Due after 5 years | 93,463 | 80,437 | 841,941 |
| Total | ¥1,384,001 | ¥1,317,720 | \$12,467,356 |

As for the lease accounting treatment for finance lease transactions that do not transfer ownership to lessees starting before April 1, 2008, the amounts of "Leased assets" (net of accumulated depreciation) as of March 31, 2008 were recorded as the beginning balance of "Lease investment assets," and the amounts of rental revenues were recorded by the straight-line method based on the scheduled lease terms. As a result, "Income before income taxes" increased compared with the amount calculated on assumption that the finance lease transactions that do not transfer ownership to the lessee starting before April 1, 2008 would have been accounted for using the interest method retroactively from each lease commencement date.

The effects on interest for the years ended March 31, 2019 and 2018 were immaterial.

The future minimum lease income subsequent to March 31, 2019 and 2018 under non-cancellable operating leases were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Due within 1 year | ¥142,443 | ¥130,920 | \$1,283,156 |
| Due after 1 year | 317,251 | 309,305 | 2,857,866 |
| Total | ¥459,694 | ¥440,226 | \$4,141,023 |

(Sublease)

Lease investment assets and obligations under sublease transactions that include interests on the consolidated balance sheet as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Lease investment assets | ¥11,495 | ¥11,297 | \$103,549 |
| Lease obligations | 11,551 | 11,347 | 104,061 |

21. Commitments and Contingent Liabilities

The Companies' contingent liabilities as of March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| As a guarantor of indebtedness of: | | | |
| Loans and others | ¥41,585 | ¥36,254 | \$374,611 |
| Asset purchases | 4,637 | 2,224 | 41,773 |
| Employees housing loans | 69 | 86 | 629 |
| | ¥46,292 | ¥38,566 | \$417,014 |

The Companies, as lenders, have loan commitment agreements as of March 31, 2019 and 2018 amounting to ¥21,145 million (\$190,483 thousand) and ¥46,239 million, respectively. The loans provided under these credit facilities as of March 31, 2019 and 2018 amounted to ¥5,704 million (\$51,388 thousand) and ¥18,120 million, respectively. Many of the facilities may expire without being utilized and the loans provided are subject to periodic reviews of the borrowers' credit standing. The unused portion of these facilities may not be fully utilized.

22. Estimated Fair Value of Financial Instruments

(1) Policy on financial instruments

The Companies mainly conduct business in lease transactions, installment sales, and financial transactions. In order to finance these businesses, the Companies utilize indirect financing such as loans from banks as well as direct financing such as the issuance of bonds, commercial papers and liquidation of receivables.

In order to ensure the appropriate amount of funds and manage them properly, the Companies conduct asset liability management (ALM).

Derivatives are used for the purpose of appropriately controlling risks that arise from these funding and management activities and stabilizing revenue.

(2) Nature and extent of risk arising from financial instruments

Major financial assets held by the Companies are lease receivables, accounts receivable-installment sales and loans receivables which are exposed to credit risk arising from default by the customers. Operational investment securities and investments in securities are mainly composed of equity securities, investments in partnerships and bonds, which are held for the purposes of earning investment income, strengthening business relationships and strengthening the management base. They are exposed to the issuer's credit risk and risk of fluctuations in interest rates and market price.

The Companies are exposed to liquidity risk, namely the risk that, under certain conditions such as market turmoil or deterioration of the Companies financial condition, they may not be able to procure the funds needed from the market to meet payment obligations for borrowings, bonds, commercial paper on their maturity date.

Furthermore, since a part of the fundraising is made at a floating rate, the Companies are exposed to interest rate fluctuation risk. The Companies utilizes interest-rate swap contracts for certain parts of the fundraising to hedge such risk.

The Companies enter into interest rate and currency derivatives. The Companies enter into interest-rate swap contracts to hedge the risk of rising interest rates of loans. The Companies enter into forward foreign exchange contracts and currency swap contracts to hedge the foreign exchange risk of monetary receivables and payables denominated in foreign currencies. Although each of these derivatives is exposed to market risk, they contribute to reducing the overall risk for the Companies.

The Companies apply hedge accounting, using derivatives as hedging instruments. Information on hedging instruments and hedged items concerning hedge accounting, hedging policy, method for assessing hedge effectiveness, is stated in "2. Summary of Significant Accounting Policies I) Derivatives and hedging activities.

(3) Risk management for financial instruments

The Company has the Basic Policy on Risk Management and the Comprehensive Risk Management Committee.

For credit, market and liquidity risks, the Company has a system in place for controlling each of those risks within the range to be considered acceptable by management by identifying and evaluating the amount of risk and the status of risk management, and making a comprehensive evaluation. The above tasks are performed by the risk management divisions in charge and the Comprehensive Risk Management Committee.

1) Credit risk management

The Company manages the credit risk of counterparties and decides whether or not to undertake deals based on a

comprehensive evaluation of the relevant counterparties and the content of the deal in accordance with the internal credit management rules. After deal execution, the Companies control credit through fact recognition and analysis of changes in the counterparties, economic conditions and the management environment. This credit management process is conducted by the business departments and credit department. In addition, the Companies regularly hold meetings of the Credit Risk Management Committee in order to monitor, discuss and report the status of the credit portfolio, credit costs and the amount of credit risk.

For counterparty risk on derivatives, the Company reduces credit risk by limiting the counterparty to highly creditworthy major financial institutions.

The Company's consolidated subsidiaries also follow same procedures.

2) Market risk management

(i) Interest rate fluctuation risk management

The Companies assess and confirm the execution status based on the ALM policy and discuss concerning future responses at the ALM Committee.

On a daily basis, the Finance Division comprehensively identifies the interest rates and terms of financial assets and liabilities, conducts monitoring using gap analysis and interest rate sensitivity analysis, and periodically reports to the ALM Committee and the Management Meetings.

(ii) Foreign exchange risk management

The Companies manage the foreign exchange risk of foreign currency denominated assets individually by utilizing foreign currency derivative transactions in principal. Foreign exchange risk is properly managed by periodically reporting the status of foreign exchange risk to the ALM Committee and the Management Meetings.

(iii) Price fluctuation risk management

Price fluctuation risk for operational investment securities, securities and investments in securities is managed by periodically identifying the fair value and financial condition of the issuers (counterparties) and the status of management of price fluctuation risk is reported to the Management Meeting.

Many of the equity securities held by the Companies are for the purpose of strengthening the business relationships and the management base, including business and capital alliances and the status of holdings is continuously reviewed.

(iv) Derivative transactions

Derivatives are entered into based on internal rules.

(v) Quantitative information of market risk

The Companies have financial instruments exposed to interest rate risk, a major risk variable, which are composed mainly of financial assets such as accounts receivable-installment sales, lease receivables and investment assets; financial liabilities such as short-term borrowings, commercial papers, and long-term debt; and interest-rate swap contracts within derivatives. For these financial assets and liabilities, the Companies calculate the impact of fluctuations in the index interest rate at a basis point level, as a quantitative analysis for the management of interest rate fluctuation risk. In calculating

the amount of such impact, balances are disaggregated to appropriate terms in accordance with each interest rate due date, and interest rate volatility is assessed for each term. As of March 31, 2019, assuming that all the risk variables except for interest rates remain constant, the impact of a 10 basis point (0.10%) increase in index interest rates would be ¥5,770 million (\$51,983 thousand). This expected impact assumes the risk variables except for interest rates remain constant, and does not factor in the correlation between interest rates and other risk variables.

3) Liquidity risk management on financing

The Companies manage their funds as a whole through ALM and also control liquidity risk by diversification of

fundraising methods, maintaining commitment lines and overdraft facility accounts from multiple financial institutions, and controlling the duration mixture of fundraising and liquidity on hand in consideration of the market environment.

(4) Supplementary information on fair value of financial instruments
The fair value of financial instruments includes value based on market price as well as reasonably estimated value when no market price is available. Since certain assumptions and methodologies are adopted in estimating the fair value, different assumptions and methodologies could result in a different fair value.

The following table presents the carrying value and estimated fair value of financial instruments as of March 31, 2019 and 2018. The following table does not include financial instruments whose fair value is not readily determinable (Please refer to Note 2 below).

| As of March 31, 2019 | Millions of yen | | |
|---|-----------------|----------------------|------------|
| | Carrying value | Estimated fair value | Difference |
| Assets | | | |
| (1) Cash on hand and in banks | ¥ 99,058 | ¥ 99,058 | ¥ — |
| (2) Accounts receivable-installment sales | 195,761 | | |
| Deferred profit on installment sales | (15,882) | | |
| | 179,879 | | |
| Allowance for doubtful accounts ^(*) | (484) | | |
| | 179,395 | 188,555 | 9,160 |
| (3) Accounts receivable-lease receivables and investment assets | 1,565,671 | | |
| Estimated residual value ^(**2) | (52,909) | | |
| | 1,512,761 | | |
| Allowance for doubtful accounts ^(*) | (899) | | |
| | 1,511,862 | 1,588,795 | 76,933 |
| (4) Accounts receivable-loans | 549,980 | | |
| Allowance for doubtful accounts ^(*) | (1,977) | | |
| | 548,003 | 570,429 | 22,426 |
| (5) Operational investment securities | 61,043 | 61,043 | — |
| (6) Short-term investment securities and investments in securities ^(**3) | 37,303 | 38,578 | 1,274 |
| (7) Claims provable in bankruptcy or rehabilitation | 1,348 | | |
| Allowance for doubtful accounts ^(*) | (1,144) | | |
| | 204 | 204 | — |
| Total assets | ¥2,436,872 | ¥2,546,666 | ¥109,794 |
| Liabilities | | | |
| (1) Notes and accounts payable-trade | ¥ 248,215 | ¥ 248,215 | ¥ — |
| (2) Short-term loans from banks | 486,653 | 486,653 | — |
| (3) Commercial paper | 872,300 | 872,300 | — |
| (4) Payables under securitized lease receivables | 75,900 | 75,900 | — |
| (5) Bonds payable | 299,433 | 298,058 | 1,374 |
| (6) Long-term loans, principally from banks | 1,304,175 | 1,299,944 | 4,231 |
| (7) Long-term payables under securitized lease receivables | 2,771 | 2,733 | 37 |
| (8) Lease obligations | 11,953 | 11,656 | 296 |
| Total liabilities | ¥3,301,403 | ¥3,295,462 | ¥ 5,940 |
| Derivatives | | | |
| Hedge accounting not applied | ¥ 95 | ¥ 95 | ¥ — |
| Hedge accounting applied | (314) | (478) | (164) |
| Total derivatives | ¥ (218) | ¥ (383) | ¥ (164) |

| As of March 31, 2018 | Millions of yen | | |
|--|-----------------|----------------------|------------|
| | Carrying value | Estimated fair value | Difference |
| Assets | | | |
| (1) Cash on hand and in banks | ¥ 82,212 | ¥ 82,212 | ¥ — |
| (2) Accounts receivable-installment sales | 210,523 | | |
| Deferred profit on installment sales | (16,232) | | |
| | 194,291 | | |
| Allowance for doubtful accounts ^(*) | (554) | | |
| | 193,737 | 201,906 | 8,169 |
| (3) Accounts receivable-lease receivables and investment assets | 1,544,595 | | |
| Estimated residual value ^{(*)2} | (51,979) | | |
| | 1,492,616 | | |
| Allowance for doubtful accounts ^(*) | (808) | | |
| | 1,491,807 | 1,561,013 | 69,205 |
| (4) Accounts receivable-loans | 548,522 | | |
| Allowance for doubtful accounts ^(*) | (2,091) | | |
| | 546,430 | 568,440 | 22,009 |
| (5) Operational investment securities | 44,954 | 44,954 | — |
| (6) Short-term investment securities and investments in securities | 47,440 | 47,440 | — |
| (7) Claims provable in bankruptcy or rehabilitation | 1,379 | | |
| Allowance for doubtful accounts ^(*) | (1,143) | | |
| | 235 | 235 | — |
| Total assets | ¥2,406,819 | ¥2,506,203 | ¥99,384 |
| Liabilities | | | |
| (1) Notes and accounts payable-trade | ¥ 247,209 | ¥ 247,209 | ¥ — |
| (2) Short-term loans from banks | 428,850 | 428,850 | — |
| (3) Commercial paper | 848,000 | 848,000 | — |
| (4) Payables under securitized lease receivables | 61,900 | 61,900 | — |
| (5) Bonds payable | 264,692 | 262,138 | 2,553 |
| (6) Long-term loans, principally from banks | 1,203,165 | 1,197,119 | 6,046 |
| (7) Long-term payables under securitized lease receivables | 4,072 | 4,031 | 41 |
| (8) Lease obligations | 12,936 | 12,649 | 287 |
| Total liabilities | ¥3,070,827 | ¥3,061,899 | ¥ 8,928 |
| Derivatives | | | |
| Hedge accounting not applied | ¥ (440) | ¥ (440) | ¥ — |
| Hedge accounting applied | (1,320) | (1,312) | 7 |
| Total derivatives | ¥ (1,760) | ¥ (1,753) | ¥ 7 |

| As of March 31, 2019 | Thousands of U.S. dollars | | |
|--|---------------------------|----------------------|------------|
| | Carrying value | Estimated fair value | Difference |
| Assets | | | |
| (1) Cash on hand and in banks | \$ 892,341 | \$ 892,341 | \$ — |
| (2) Accounts receivable-installment sales | 1,763,462 | | |
| Deferred profit on installment sales | (143,068) | | |
| | 1,620,393 | | |
| Allowance for doubtful accounts ^{(*)1} | (4,364) | | |
| | 1,616,029 | 1,698,546 | 82,517 |
| (3) Accounts receivable-lease receivables and investment assets | 14,103,876 | | |
| Estimated residual value ^{(*)2} | (476,619) | | |
| | 13,627,257 | | |
| Allowance for doubtful accounts ^{(*)1} | (8,105) | | |
| | 13,619,151 | 14,312,182 | 693,030 |
| (4) Accounts receivable-loans | 4,954,335 | | |
| Allowance for doubtful accounts ^{(*)1} | (17,810) | | |
| | 4,936,524 | 5,138,545 | 202,020 |
| (5) Operational investment securities | 549,892 | 549,892 | — |
| (6) Short-term investment securities and investments in securities ^{(*)3} | 336,040 | 347,524 | 11,484 |
| (7) Claims provable in bankruptcy or rehabilitation | 12,150 | | |
| Allowance for doubtful accounts ^{(*)1} | (10,306) | | |
| | 1,844 | 1,844 | — |
| Total assets | \$21,951,825 | \$22,940,877 | \$989,052 |
| Liabilities | | | |
| (1) Notes and accounts payable-trade | \$ 2,235,972 | \$ 2,235,972 | \$ — |
| (2) Short-term loans from banks | 4,383,875 | 4,383,875 | — |
| (3) Commercial paper | 7,857,850 | 7,857,850 | — |
| (4) Payables under securitized lease receivables | 683,728 | 683,728 | — |
| (5) Bonds payable | 2,697,355 | 2,684,970 | 12,385 |
| (6) Long-term loans, principally from banks | 11,748,273 | 11,710,158 | 38,114 |
| (7) Long-term payables under securitized lease receivables | 24,963 | 24,624 | 339 |
| (8) Lease obligations | 107,675 | 105,000 | 2,674 |
| Total liabilities | \$29,739,694 | \$29,686,180 | \$ 53,513 |
| Derivatives | | | |
| Hedge accounting not applied | \$ 860 | \$ 860 | \$ — |
| Hedge accounting applied | (2,830) | (4,310) | (1,480) |
| Total derivatives | \$ (1,970) | \$ (3,450) | \$ (1,480) |

(*1) General and specific allowances are deducted from the amounts of accounts receivable-installment sales, accounts receivable-lease receivables and investment assets, accounts receivable-loans and claims provable in bankruptcy or rehabilitation, respectively.

(*2) Estimated residual value included in lease investment assets is deducted.

(*3) Short-term investment securities and investments in securities include listed affiliates accounted for using the equity method, and the difference is due to the observable fair value of such shares based on their market values.

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

Assets

(1) Cash on hand and in banks

Since these items are settled in a short period of time, the carrying value approximates fair value.

(2) Accounts receivable-installment sales, (3) Lease receivables and investment assets and (4) Loans

Based on the classification by internal rating and contract terms, the fair value is estimated by the present value of the total of principal and interest discounted by the interest rate to be applied if similar new contracts were entered into.

(5) Operational investment securities and (6) Short-term investment securities and Investments in securities

The fair value of the above securities is based on either quoted market prices or the prices provided by the counterparty financial institutions.

For information on securities classified by holding purpose, please refer to *Note 9 Operational Investment Securities, Short-term Investment Securities and Investments in Securities*.

(7) Claims provable in bankruptcy or rehabilitation

The fair value of above is assumed to approximate their carrying value with the deduction of relevant allowances because their carrying value is based on the fair value of the collateral and guarantees.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans from banks, (3) Commercial paper and (4) Payables under securitized lease receivables

Since these items are settled in a short period of time, the carrying value approximates fair value.

(5) Bonds payable, (6) Long-term loans, principally from banks and (7) Long-term payables under securitized lease receivables

The fair value is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new bond or loan agreements were entered into.

(8) Lease obligations

Based on the classification by internal rating and contract terms, the fair value is estimated by the present value of the total of principal and interest discounted by the interest rate to be applied if similar new contracts were entered into.

Derivatives

The value of assets and liabilities arising from derivatives is shown at net value in the above table and with the amount in parentheses representing net liability position. Please refer to *Note 12 Derivatives* regarding the details of derivative transactions.

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Investments in unconsolidated subsidiaries and affiliates | ¥248,437 | ¥203,622 | \$2,237,977 |
| Unlisted shares | 35,132 | 26,900 | 316,483 |
| Bonds | 299 | 299 | 2,702 |
| Trust beneficiary rights | 9,121 | 7,848 | 82,165 |
| Investments in limited partnerships, etc. | 88,470 | 75,288 | 796,964 |
| Total | ¥381,462 | ¥313,960 | \$3,436,293 |

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in (5) Operational investment securities and (6) Short-term investment securities and investments in securities.

(Note 3) Redemption schedule for receivables and securities with maturities subsequent to March 31, 2019 and 2018, respectively

| | Millions of yen | | | | | |
|---|----------------------|------------------------|------------------------|------------------------|------------------------|-------------------|
| | As of March 31, 2019 | | | | | |
| | Due within 1 Year | Due after 1 to 2 Years | Due after 2 to 3 Years | Due after 3 to 4 Years | Due after 4 to 5 Years | Due after 5 Years |
| Cash on hand and in banks | ¥ 99,058 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Accounts receivable-installment sales | 66,224 | 46,348 | 31,467 | 25,971 | 13,483 | 12,266 |
| Accounts receivable-loans | 260,910 | 80,895 | 81,779 | 51,806 | 20,473 | 54,116 |
| Operational investment securities: | | | | | | |
| Available-for-sale securities with maturities | | | | | | |
| (1) Bonds | 299 | — | 5,000 | — | — | 3,000 |
| (2) Other | 8,516 | 6,661 | 2,664 | 5,685 | 18,695 | 38,765 |
| Short-term investment securities and investments in securities: | | | | | | |
| Available-for-sale securities with maturities | | | | | | |
| (1) Bonds | — | — | — | — | — | — |
| (2) Other | 620 | — | — | — | — | — |
| Total | ¥435,630 | ¥133,905 | ¥120,911 | ¥83,462 | ¥52,651 | ¥108,148 |

| Millions of yen | | | | | | |
|--|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------|
| As of March 31, 2018 | | | | | | |
| | Due within 1 Year | Due after 1 to 2 Years | Due after 2 to 3 Years | Due after 3 to 4 Years | Due after 4 to 5 Years | Due after 5 Years |
| Cash on hand and in banks | ¥ 82,212 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Accounts receivable-installment sales | 72,730 | 50,601 | 36,565 | 20,405 | 16,571 | 13,649 |
| Accounts receivable-loans | 246,539 | 94,356 | 52,083 | 61,554 | 36,974 | 57,014 |
| Operational investment securities: | | | | | | |
| Available-for-sale securities with maturities | | | | | | |
| (1) Bonds | 3,000 | 299 | — | 5,000 | — | 2,000 |
| (2) Other | 5,817 | 4,893 | 5,791 | 1,065 | 6,585 | 51,786 |
| Short-term investment securities and investments in securities: | | | | | | |
| Available-for-sale securities with maturities | | | | | | |
| (1) Bonds | — | — | — | — | — | — |
| (2) Other | 5,550 | — | — | — | — | — |
| Total | ¥415,849 | ¥150,150 | ¥94,440 | ¥88,025 | ¥60,131 | ¥124,450 |

| Thousands of U.S. dollars | | | | | | |
|--|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------|
| As of March 31, 2019 | | | | | | |
| | Due within 1 Year | Due after 1 to 2 Years | Due after 2 to 3 Years | Due after 3 to 4 Years | Due after 4 to 5 Years | Due after 5 Years |
| Cash on hand and in banks | \$ 892,341 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Accounts receivable-installment sales | 596,567 | 417,517 | 283,462 | 233,952 | 121,460 | 110,501 |
| Accounts receivable-loans | 2,350,328 | 728,720 | 736,688 | 466,681 | 184,427 | 487,488 |
| Operational investment securities: | | | | | | |
| Available-for-sale securities with maturities | | | | | | |
| (1) Bonds | 2,702 | — | 45,040 | — | — | 27,024 |
| (2) Other | 76,721 | 60,011 | 24,004 | 51,211 | 168,409 | 349,205 |
| Short-term investment securities and investments in securities: | | | | | | |
| Available-for-sale securities with maturities | | | | | | |
| (1) Bonds | — | — | — | — | — | — |
| (2) Other | 5,585 | — | — | — | — | — |
| Total | \$3,924,246 | \$1,206,248 | \$1,089,197 | \$751,845 | \$474,298 | \$974,220 |

Notes:

1. The estimated collectable amounts on the consolidated balance sheet has been presented as the amount of "Accounts receivable-installment sales."
2. The redemption schedules for long-term debt and lease receivables and investment assets are disclosed in *Note 11 Short-Term Borrowings, Long-Term Debt and Assets Pledged* and *Note 20 Lease Transactions*, respectively.

23. Dividends

(1) Dividends paid to shareholders

For the year ended March 31, 2019

| (Date of approval) Resolution approved by | Type of shares | Amount | Dividends per share | | |
|--|----------------|---|---------------------|-------------------------------|---------------------|
| | | Millions of yen Thousands of U.S. dollars | Yen U.S. dollars | Shareholders' cut-off date | Effective date |
| (June 25, 2018) | Common stock | ¥ 6,546 | ¥62.0 | March 31, 2018 | June 26, 2018 |
| Annual general meeting of the shareholders | | \$58,971 | \$0.55 | | |
| (November 5, 2018) | Common stock | ¥ 6,442 | ¥61.0 | September 30, 2018 | December 4, 2018 |
| Meeting of the Board of Directors | | \$58,035 | \$0.54 | | |

For the year ended March 31, 2018

| (Date of approval) Resolution approved by | Type of shares | Amount | Dividends per share | | Shareholders' cut-off date | Effective date |
|---|----------------|-----------------|---------------------|--|-------------------------------|---------------------|
| | | Millions of yen | Yen | | | |
| (June 23, 2017) Annual general meeting of the shareholders | Common stock | ¥5,594 | ¥53.0 | | March 31, 2017 | June 26, 2017 |
| (November 6, 2017) Meeting of the Board of Directors | Common stock | ¥5,490 | ¥52.0 | | September 30, 2017 | December 5, 2017 |

(2) Dividends for which the shareholders' cut-off date is in the current fiscal year but the effective date is in the following fiscal year are as follows

| (Date of approval) Resolution approved by | Type of shares (Paid from) | Amount | Dividends per share | | Shareholders' cut-off date | Effective date |
|---|--|---|---------------------|--|-------------------------------|-------------------|
| | | Millions of yen Thousands of U.S. dollars | Yen U.S. dollars | | | |
| (June 24, 2019) Annual general meeting of the shareholders | Common stock (Retained earnings) | ¥ 6,653 \$59,938 | ¥63.0 \$0.56 | | March 31, 2019 | June 25, 2019 |

24. Legal Reserve and Additional Paid-in Capital

In accordance with the Law, the Company provides a legal reserve which is included in retained earnings. The Law provides that an amount equal to 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Law provides that neither additional paid-in capital nor the legal reserve is available for the payment of dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Law also provides that, if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. Under the Law, however, such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

25. Stock Based Compensation

The Company has stock option plans for certain directors, executive officers and eligible employees. Under the plans, the rights to purchase the common shares of the Company are granted at an exercise price of ¥1 per share. The contractual term of the stock options is 30 years. The stock option holders may exercise their share subscription rights only in a lump sum during the ten-day period starting a day after leaving their position as director, corporate auditor, executive officer or employee of the Company.

The stock options outstanding as of March 31, 2019 were as follows:

| | 2013 stock option | 2014 stock option | 2015 stock option | 2016 stock option | 2017 stock option | 2018 stock option | 2019 stock option |
|---|---|---|--|--|--|--|--|
| Persons granted | 7 directors 22 executive officers | 7 directors 20 executive officers | 7 directors 19 executive officers 6 eligible employees | 7 directors 20 executive officers 7 eligible employees | 8 directors 19 executive officers 7 eligible employees | 8 directors 17 executive officers 7 eligible employees | 9 directors 22 executive officers 5 eligible employees |
| Type and number of shares to be issued upon the exercise of the share subscription rights | Common stock 113,700 | Common stock 59,300 | Common stock 76,000 | Common stock 74,600 | Common stock 82,700 | Common stock 75,700 | Common stock 95,300 |
| Grant date | October 15, 2012 | September 24, 2013 | September 29, 2014 | October 26, 2015 | September 21, 2016 | September 27, 2017 | August 21, 2018 |
| Fair value per stock at the grant date | ¥1,306 (\$13.9) | ¥3,038 (\$29.52) | ¥2,716 (\$22.58) | ¥3,805 (\$33.76) | ¥3,406 (\$30.35) | ¥4,567 (\$42.97) | ¥5,369 (\$48.36) |

The total stock-based compensation costs recognized for the years ended March 31, 2019 and 2018 were ¥511 million (\$4,609 thousand) and ¥345 million, respectively.

The fair value of the 2019 stock option is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table.

| | 2019 stock option |
|-------------------------|-------------------|
| Expected volatility | 29.68% |
| Expected holding period | 3.4 years |
| Expected dividend | ¥122 per share |
| Risk free interest rate | -0.099% |

The expected volatility of the stock price is based on the historical volatility of the Company's stock for a period equal to the option's estimated remaining outstanding period from the grant date. The expected holding period is based on the average term and average age as of retirement. The expected dividend is based on the forecast of dividends of ¥122 (\$1.09) made for the year ended March 31, 2019 at the grant date. The risk free interest rate is based on the yield of Japanese government bonds having a remaining life equal to the option's expected holding period.

The stock option activity for the fiscal years ended March 31, 2019 was as follows:

| Stock option activity | Number of shares | | | | | | 2019 stock option |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2013 stock option | 2014 stock option | 2015 stock option | 2016 stock option | 2017 stock option | 2018 stock option | |
| Share subscription rights which are not yet vested | | | | | | | |
| Outstanding as of March 31, 2018 | — | — | — | — | — | — | — |
| Granted | — | — | — | — | — | — | 95,300 |
| Forfeited | — | — | — | — | — | — | — |
| Vested | — | — | — | — | — | — | 95,300 |
| Outstanding as of March 31, 2019 | — | — | — | — | — | — | — |
| Share subscription rights which have already been vested | | | | | | | |
| Outstanding as of March 31, 2018 | 68,100 | 38,500 | 55,800 | 62,000 | 75,600 | 75,700 | — |
| Vested | — | — | — | — | — | — | 95,300 |
| Exercised | 5,400 | 3,000 | 5,300 | 5,800 | 5,000 | 3,900 | — |
| Forfeited | — | — | — | — | — | — | — |
| Outstanding as of March 31, 2019 | 62,700 | 35,500 | 50,500 | 56,200 | 70,600 | 71,800 | 95,300 |
| Exercise price (yen) | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 1 |
| Weighted average exercise price (yen) | ¥6,580 | ¥6,580 | ¥6,531 | ¥6,535 | ¥6,546 | ¥6,580 | — |
| Weighted average fair value per stock at the grant date (yen) | ¥1,306 | ¥3,038 | ¥2,716 | ¥3,805 | ¥3,406 | ¥4,567 | ¥5,369 |
| Exercise price (U.S. dollars) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Weighted average exercise price (U.S. dollars) | \$59.27 | \$59.27 | \$58.83 | \$58.86 | \$58.96 | \$59.27 | — |
| Weighted average fair value per stock at the grant date (U.S. dollars) | \$11.76 | \$27.36 | \$24.46 | \$34.27 | \$30.68 | \$41.14 | \$48.36 |

26. Investment and Rental Properties

The Companies own rental properties, such as commercial facilities and office buildings, in Tokyo and other areas. The net operating income relating to these properties was ¥8,030 million (\$72,338 thousand) and ¥4,427 million for the years ended March 31, 2019 and 2018, respectively.

The carrying value in the consolidated balance sheet, change in carrying value and corresponding fair value of these properties for the years ended March 31, 2019 and 2018 were as follows:

| Millions of yen | | | |
|---------------------------|----------------|-------------|-------------|
| Year ended March 31, 2019 | | | |
| | Carrying Value | | Fair Value |
| Beginning of year | Net change | End of year | End of year |
| ¥88,612 | ¥112,658 | ¥201,270 | ¥204,242 |

| Millions of yen | | | |
|---------------------------|----------------|-------------|-------------|
| Year ended March 31, 2018 | | | |
| | Carrying Value | | Fair Value |
| Beginning of year | Net change | End of year | End of year |
| ¥97,261 | ¥(8,648) | ¥88,612 | ¥91,741 |

| Thousands of U.S. dollars | | | |
|---------------------------|----------------|-------------|-------------|
| Year ended March 31, 2019 | | | |
| | Carrying Value | | Fair Value |
| Beginning of year | Net change | End of year | End of year |
| \$798,235 | \$1,014,852 | \$1,813,088 | \$1,839,857 |

Notes:

- The carrying value represents the acquisition cost less accumulated depreciation.
- The components of net change in carrying value include a decrease mainly due to the sale of real estate in the amount of ¥19,797 million during the year ended March 31, 2018, and an increase mainly due to changes in the scope of consolidation in the amount of ¥114,651 million (\$1,032,799 thousand) for the year ended March 31, 2019.
- Regarding major properties, the fair value is mainly estimated in accordance with Japanese real estate appraisal standards. For other properties, it is based on the appropriate index, which reflects market value.

27. Business Combinations

1. Share acquisition

The Company completed the acquisition of shares in SHINKO REAL ESTATE CO., LTD. as of July 1, 2018, pursuant to the share transfer agreement that the Company entered into on April 27, 2018 for the purpose of acquiring 70% of the total issued shares in the said company. Consequently, SHINKO REAL ESTATE CO., LTD. has become a consolidated subsidiary of the Company.

(1) Summary of business combination

1) Name and business description of acquired company

Name: SHINKO REAL ESTATE CO., LTD.
(Head Office: Kobe, Hyogo Prefecture)
Principal business: Real estate development and sales, lease, brokerage, renovation, etc.

2) Purpose of additional share acquisition

Our Specialty Financing business aims to create new value by integrating finance and business as detailed in the third medium-term management plan, and has been challenging dynamically in its business with excellent partners while working on the creation of new growth areas in pursuit of expertise in various products. The real estate business is one of the four key business areas of our Specialty Financing business along with aviation, shipping, and environment and energy.

Through this business combination, we aim for further development, including synergy effects in expanding business opportunities in each stage in the business development cycle, such as development, ownership, management, and exits. We also aim to diversify exit strategies through utilizing functions and platforms held by SHINKO REAL ESTATE CO., LTD. as a comprehensive real estate company.

3) Date of business combination

July 1, 2018

4) Legal form of business combination

Acquisition of shares

5) Name of the company after business combination

No change

- 6) Percentage of voting rights acquired
70.0%
- 7) Basis for determining acquiring company
The Company acquired 70% of SHINKO REAL ESTATE CO., LTD. shares for cash consideration.
- (2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements
July 1, 2018–March 31, 2019.
- (3) Acquisition cost and its breakdown
Acquisition cost: ¥68,510 million in cash (\$617,158 thousand)
- (4) Main acquisition-related costs
Advisory fees and other expenses: ¥391 million (\$3,529 thousand)
- (5) Amount of goodwill, reason for recognition, method and period of amortization
- 1) Amount of goodwill: ¥17,866 million (\$160,945 thousand)
 - 2) Reason for recognition
Goodwill is recognized as the difference between the acquisition cost and net assets of the acquired company on a fair value basis.
 - 3) Method and period of amortization
Straight-line method over a period of 20 years
- (6) Main assets acquired and liabilities assumed on the date of business combination

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| Current assets | ¥ 20,411 | \$ 183,870 |
| Fixed assets | 119,356 | 1,075,183 |
| Total assets | 139,767 | 1,259,054 |
| Current liabilities | 41,051 | 369,797 |
| Long-term liabilities | 26,367 | 237,524 |
| Total liabilities | 67,418 | 607,321 |

- (7) Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2019, assuming the business combination had been completed at the beginning of the fiscal year

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Revenues | ¥8,688 | \$78,271 |
| Operating income | 893 | 8,049 |
| Income before income taxes | 777 | 7,004 |
| Net income attributable to owners of parent | 228 | 2,060 |
| | Yen | U.S. dollars |
| Net income per share | ¥2.17 | \$0.01 |

(Estimation method)

Differences in revenue and income data between the calculations assuming the business combination had been completed at the beginning of the fiscal year and the figures reported on the consolidated statement of income of the acquiring company are treated as the estimated amount of the impact. The difference includes amortization of goodwill and others from the beginning of the fiscal year to the date of the business combination. These amounts are unaudited.

28. Segment Information

1. Overview of Reportable Segments

The Company's reportable segments shall be part of its organizational units whose financial information is individually available, and shall be subject to regular review by its Board of Directors for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The Company is mainly engaged in leasing business and installment sales business as well as financing service business relating to the main businesses. Therefore, the "Leasing and Installment Sales Business," the "Finance Business" and the "Other Businesses" constitute the Company's reportable segments.

The "Leasing and Installment Sales Business" consists of leasing and installment sales of IT-related equipment and office equipment, industrial machinery, commercial and service equipment, etc. (including sales of assets thereof pertaining to maturity and/or cancellation before maturity of leasing transactions). The "Finance Business" consists of money-lending business and investment business such as capital investments in operational investment securities and silent partnerships. The "Other Businesses" consists of commission transactions, solar power sales business, and other businesses.

2. Calculation Method for Amounts for Revenues, Profit or Loss, Assets, Liabilities and Other items by Reportable Segments
The accounting method for reportable business segments is the same as stated under "Summary of Significant Accounting Policies" in Note 2.

3. Information on Revenues, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segments

| | Millions of yen | | | |
|--|-------------------------------|----------|----------|------------|
| | Year ended March 31, 2019 | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Revenues, profits and assets by reportable segments | | | | |
| Revenues from customers | ¥ 980,532 | ¥ 32,668 | ¥ 54,411 | ¥1,067,612 |
| Inter-segment revenues | — | — | 3,218 | 3,218 |
| Total revenues | 980,532 | 32,668 | 57,629 | 1,070,830 |
| Segment profits | ¥ 58,670 | ¥ 19,375 | ¥ 12,127 | ¥ 90,172 |
| Segment assets | ¥2,850,197 | ¥889,087 | ¥175,223 | ¥3,914,508 |
| Other items | | | | |
| Depreciation | ¥ 120,349 | — | ¥ 4,276 | ¥ 124,626 |
| Amortization of goodwill | ¥ 1,468 | — | — | ¥ 1,468 |
| Increase in property and equipment and intangible assets | ¥ 175,174 | — | ¥ 40,223 | ¥ 215,398 |

| | Millions of yen | | | |
|--|-------------------------------|----------|----------|------------|
| | Year ended March 31, 2018 | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Revenues, profits and assets by reportable segments | | | | |
| Revenues from customers | ¥ 959,812 | ¥ 27,306 | ¥ 25,081 | ¥1,012,200 |
| Inter-segment revenues | — | — | 1,945 | 1,945 |
| Total revenues | 959,812 | 27,306 | 27,027 | 1,014,145 |
| Segment profits | ¥ 59,496 | ¥ 15,770 | ¥ 7,260 | ¥ 82,527 |
| Segment assets | ¥2,639,965 | ¥821,169 | ¥124,615 | ¥3,585,750 |
| Other items | | | | |
| Depreciation | ¥ 112,270 | — | ¥ 2,412 | ¥ 114,683 |
| Amortization of goodwill | ¥ 581 | — | — | ¥ 581 |
| Increase in property and equipment and intangible assets | ¥ 168,905 | — | ¥ 88,835 | ¥ 257,741 |

| | Thousands of U.S. dollars | | | |
|--|-------------------------------|-------------|-------------|--------------|
| | Year ended March 31, 2019 | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Revenues, profits and assets by reportable segments | | | | |
| Revenues from customers | \$ 8,832,827 | \$ 294,282 | \$ 490,150 | \$ 9,617,261 |
| Inter-segment revenues | — | — | 28,989 | 28,989 |
| Total revenues | 8,832,827 | 294,282 | 519,139 | 9,646,250 |
| Segment profits | \$ 528,513 | \$ 174,536 | \$ 109,245 | \$ 812,295 |
| Segment assets | \$25,675,144 | \$8,009,071 | \$1,578,451 | \$35,262,667 |
| Other items | | | | |
| Depreciation | \$ 1,084,132 | — | \$ 38,526 | \$ 1,122,659 |
| Amortization of goodwill | \$ 13,226 | — | — | \$ 13,226 |
| Increase in property and equipment and intangible assets | \$ 1,578,007 | — | \$ 362,344 | \$ 1,940,351 |

Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been adopted effective from the beginning of the current fiscal year, and segment information related to the previous fiscal year has been reclassified.

4. Difference between the Total of Reporting Segments and the Amounts on the Consolidated Financial Statements and Details for the Difference (The Matter for the Reconciliation of the Difference)

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
| | 2019 | 2018 | 2019 |
| Revenues | | | |
| Reportable segment total | ¥1,070,830 | ¥1,014,145 | \$9,646,250 |
| Inter-segment eliminations | (3,218) | (1,945) | (28,989) |
| Revenues on consolidated statement of income | ¥1,067,612 | ¥1,012,200 | \$9,617,261 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Profits | | | |
| Reportable segment total | ¥90,172 | ¥82,527 | \$812,295 |
| Inter-segment eliminations | (3,218) | (1,945) | (28,989) |
| General and administrative expenses not attributable to reporting segment | (9,233) | (6,837) | (83,175) |
| Operating income on consolidated statement of income | ¥77,721 | ¥73,744 | \$700,130 |

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
| | 2019 | 2018 | 2019 |
| Assets | | | |
| Reportable segment total | ¥3,914,508 | ¥3,585,750 | \$35,262,667 |
| Assets not attributable to reporting segment | 172,005 | 169,377 | 1,549,456 |
| Total assets on consolidated balance sheet | ¥4,086,513 | ¥3,755,127 | \$36,812,123 |

Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been adopted effective from the beginning of the current fiscal year, and segment information related to the previous fiscal year has been reclassified.

| | Millions of yen | | | | | |
|--|--------------------------|----------|-------------|--------|--------------|----------|
| | Reportable segment total | | Adjustments | | Consolidated | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Other items | | | | | | |
| Depreciation | ¥124,626 | ¥114,683 | ¥3,195 | ¥2,993 | ¥127,821 | ¥117,677 |
| Amortization of goodwill | 1,468 | 581 | 481 | 481 | 1,950 | 1,063 |
| Increase in property and equipment and intangible assets | 215,398 | 257,741 | 7,754 | 5,187 | 223,152 | 262,928 |

| | Thousands of U.S. dollars | | |
|--|---------------------------|-------------|--------------|
| | Reportable segment total | Adjustments | Consolidated |
| | 2019 | 2019 | 2019 |
| Other items | | | |
| Depreciation | \$1,122,659 | \$28,782 | \$1,151,441 |
| Amortization of goodwill | 13,226 | 4,341 | 17,567 |
| Increase in property and equipment and intangible assets | 1,940,351 | 69,851 | 2,010,203 |

Information by products and services

| Millions of yen | | | | | | |
|-------------------------|---------------|-----------------|-------------------|---------|---------|------------|
| March 31, 2019 | | | | | | |
| | Finance lease | Operating lease | Installment sales | Finance | Other | Total |
| Revenues from customers | ¥611,000 | ¥316,692 | ¥52,839 | ¥32,668 | ¥54,411 | ¥1,067,612 |

| Millions of yen | | | | | | |
|-------------------------|---------------|-----------------|-------------------|---------|---------|------------|
| March 31, 2018 | | | | | | |
| | Finance lease | Operating lease | Installment sales | Finance | Other | Total |
| Revenues from customers | ¥601,832 | ¥300,922 | ¥57,057 | ¥27,306 | ¥25,081 | ¥1,012,200 |

| Thousands of U.S. dollars | | | | | | |
|---------------------------|---------------|-----------------|-------------------|-----------|-----------|-------------|
| March 31, 2019 | | | | | | |
| | Finance lease | Operating lease | Installment sales | Finance | Other | Total |
| Revenues from customers | \$5,504,014 | \$2,852,824 | \$475,987 | \$294,282 | \$490,150 | \$9,617,261 |

Geographical information

(a) Revenues

Information by geographic segment is summarized as follows:

| Millions of yen | | | | | |
|-----------------|--------------------------|---------|---------|---------------------------|------------|
| March 31, 2019 | | | | | |
| Japan | Europe and North America | | Asia | Central and South America | Total |
| | Ireland | Others | | | |
| ¥938,131 | ¥21,205 | ¥58,859 | ¥18,440 | ¥30,975 | ¥1,067,612 |

Notes:

- Regions represent the location of the Company and its subsidiaries.
- Major countries and areas which belong to segments other than Japan are as follows:
 - Europe and North America: Ireland, The United States of America, The United Kingdom, Germany
 - Asia: Singapore, Malaysia, Thailand, China
 - Central and South America: Panama, Mexico, Brazil

| Millions of yen | | | | | |
|-----------------|--------------------------|---------|---------|---------------------------|------------|
| March 31, 2018 | | | | | |
| Japan | Europe and North America | | Asia | Central and South America | Total |
| | Ireland | Others | | | |
| ¥901,666 | ¥16,690 | ¥53,006 | ¥16,281 | ¥24,555 | ¥1,012,200 |

Notes:

- Regions represent the location of the Company and its subsidiaries.
- Major countries and areas which belong to segments other than Japan are as follows:
 - Europe and North America: Ireland, The United States of America, The United Kingdom, Germany, Cyprus
 - Asia: Singapore, Malaysia, Thailand
 - Central and South America: Panama, Mexico, Brazil

| Thousands of U.S. dollars | | | | | |
|---------------------------|--------------------------|-----------|-----------|---------------------------|-------------|
| March 31, 2019 | | | | | |
| Japan | Europe and North America | | Asia | Central and South America | Total |
| | Ireland | Others | | | |
| \$8,450,872 | \$191,020 | \$530,222 | \$279,032 | \$166,113 | \$9,617,261 |

(b) Property and equipment

Information by geographic segment is summarized as follows:

| Millions of yen | | | | | |
|-----------------|--------------------------|----------|---------|---------------------------|----------|
| March 31, 2019 | | | | | |
| Japan | Europe and North America | | Asia | Central and South America | Total |
| | Ireland | Others | | | |
| ¥702,215 | ¥95,884 | ¥103,466 | ¥13,407 | ¥37,588 | ¥952,562 |

| Millions of yen | | | | | |
|-----------------|--------------------------|----------|---------|---------------------------|----------|
| March 31, 2018 | | | | | |
| Japan | Europe and North America | | Asia | Central and South America | Total |
| | Ireland | Others | | | |
| ¥523,008 | ¥107,268 | ¥104,692 | ¥10,733 | ¥33,936 | ¥779,638 |

| Thousands of U.S. dollars | | | | | |
|---------------------------|--------------------------|-----------|-----------|---------------------------|-------------|
| March 31, 2019 | | | | | |
| Japan | Europe and North America | | Asia | Central and South America | Total |
| | Ireland | Others | | | |
| \$6,325,700 | \$863,744 | \$932,046 | \$120,778 | \$338,604 | \$8,580,873 |

Information by main customer

Information by main customer for the years ended March 31, 2019 and 2018 are not disclosed because there were no customers that accounted for 10% or more of the revenues from customers recorded in the consolidated statements of income.

Information about the impairment loss on fixed assets by reportable segments

| Millions of yen | | | | |
|-----------------|-------------------------------|---------|-------|--------|
| March 31, 2019 | | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Impairment loss | ¥1,946 | — | — | ¥1,946 |

| Millions of yen | | | | |
|-----------------|-------------------------------|---------|-------|--------|
| March 31, 2018 | | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Impairment loss | ¥2,624 | — | — | ¥2,624 |

| Thousands of U.S. dollars | | | | |
|---------------------------|-------------------------------|---------|-------|----------|
| March 31, 2019 | | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Impairment loss | \$17,531 | — | — | \$17,531 |

For the years ended March 31, 2019 and 2018, impairment losses on aircraft assets was recognized.

Information about the amortization and unamortized balance of goodwill

| Millions of yen | | | | |
|---------------------|-------------------------------|---------|-------|---------|
| March 31, 2019 | | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Amortization | ¥ 1,468 | — | — | ¥ 1,468 |
| Unamortized balance | 30,542 | — | — | 30,542 |

| Millions of yen | | | | |
|---------------------|-------------------------------|---------|-------|--------|
| March 31, 2018 | | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Amortization | ¥ 581 | — | — | ¥ 581 |
| Unamortized balance | 14,235 | — | — | 14,235 |

| Thousands of U.S. dollars | | | | |
|---------------------------|-------------------------------|---------|-------|-----------|
| March 31, 2019 | | | | |
| | Leasing and Installment Sales | Finance | Other | Total |
| Amortization | \$ 13,226 | — | — | \$ 13,226 |
| Unamortized balance | 275,134 | — | — | 275,134 |

Amortization for the years ended March 31, 2019 and 2018 were ¥481 million (\$4,341 thousand) and ¥481 million, respectively. Unamortized balance as of March 31, 2019 and 2018 were ¥2,168 million (\$19,537 thousand) and ¥2,650 million, respectively. These amounts were not allocated to any reportable segment since they are related to multi segment.

Information about the gain recognized on negative goodwill by reportable segments

This information is not provided due to its low materiality for the year ended March 31, 2018. For the year ended March 31, 2019, there was no gain recognized on negative goodwill.

29. Related Party Transactions

Related party transactions information is not presented due to immateriality for the years ended March 31, 2019 and 2018.

30. Amounts Per Share

The net assets per share, basic and diluted net income attributable to owners of parent per share for the years ended March 31, 2019 and 2018 were as follows:

| | Yen | | U.S. dollars |
|--|-----------|-----------|--------------|
| | 2019 | 2018 | 2019 |
| Net assets | ¥4,039.68 | ¥3,750.35 | \$36.39 |
| Net income attributable to owners of parent: | | | |
| Basic | ¥494.93 | ¥486.09 | \$4.45 |
| Diluted | ¥493.03 | ¥484.53 | \$4.44 |

Net assets per share are calculated based on the net assets available for distribution to the shareholders of common stock (i.e., the net assets excluding non-controlling interests and share subscription rights) and the number of shares of common stock outstanding at each balance sheet date.

Basic net income attributable to owners of parent per share is calculated by dividing the net income attributable to owners of parent available for distribution to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the period.

Diluted net income attributable to owners of parent per share is calculated based on the net income attributable to owners of parent available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during the period after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

The base data for calculation were as follows:

1. Net assets per share

| | Thousands of shares | |
|---|---------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Number of shares of common stock used for the calculation of net assets per share | 105,616 | 105,588 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 |
| Total net assets | ¥524,372 | ¥456,036 | \$4,723,650 |
| Amount deducted from total net assets: | | | |
| Share subscription rights | 1,620 | 1,196 | 14,600 |
| Non-controlling interests | 96,096 | 58,847 | 865,655 |
| Net assets attributable to shares of common stock | ¥426,655 | ¥395,992 | \$3,843,394 |

2. Basic and diluted net income attributable to owners of parent per share

| | Thousands of shares | |
|---|---------------------|---------|
| | 2019 | 2018 |
| Weighted average number of shares of common stock | 105,614 | 105,586 |
| Increase in shares of common stock | | |
| Exercise of share subscription rights | 406 | 341 |

31. Material Subsequent Events

(Issuance of Bonds)

The Company issued the 1st series deferrable interest and callable unsecured subordinated bonds on April 22, 2019. The details are as follows:

| | 1st series deferrable interest and callable unsecured subordinated bonds |
|------------------------------|--|
| Total amount issued | ¥30,000 million (\$270,245 thousand) |
| Issuance price | ¥100 (\$0.90) per ¥100 (\$0.90) of face value |
| Initial interest rate (Note) | 1.00% annually |
| Closing date | April 22, 2019 |
| Maturity date | April 22, 2054 |
| Early redemption | Redeemable early at the discretion of the Company at any interest payment day no earlier than April 22, 2024 |
| Interest payment date | Every 22nd of April and October |
| Optional interest suspension | The Company may, at its discretion, extend the payment of all or part of the interest due on the Bond on an interest payment day |
| Ranking of claims | Settlement of the bond is subordinated to the Company's general obligations, and takes preference over common stock |
| Collateral | This bond is without any collateral or guaranty and there are no assets reserved for this debenture. |
| Application of the fund | For the redemption of commercial paper |

Note: A fixed rate of interest shall apply from the day following April 22, 2019 until April 22, 2024. A floating rate of interest shall apply from the day following April 22, 2024 onward (a step-up in interest will occur on April 22, 2024).

(Change in Segment Classification)

At the Board of Directors meeting held on May 9, 2019, the Companies decided to change the reportable segments and the segment profits under its new "Fourth Medium-Term Management Plan," in order to implement a review of business management techniques, taking into consideration factors such as the present organizational structure and changes in the business portfolio.

With this change, the reportable segments classified as "Leasing and Installment Sales," "Finance" and "Other" for the consolidated fiscal year under review will be reclassified into "Equipment Leasing," "Mobility & Fleet Management," "Specialty Financing" and "International Business" from the following consolidated fiscal year and will also change the segment profits from operating income to ordinary income.

The Company is currently in the process of calculating the amounts of revenues, income or losses, assets and other items by reportable segment for the consolidated fiscal year under review that would be attributable to each reportable segment after reclassification.

Report of Independent Auditors



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Independent Auditor's Report

The Board of Directors
Tokyo Century Corporation

We have audited the accompanying consolidated financial statements of Tokyo Century Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyo Century Corporation and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 21, 2019
Tokyo, Japan

Tokyo Century Corporation

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