Tokyo Century

FINANCIAL STATEMENTS 2023

For the year ended March 31, 2023

Tokyo Century Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tokyo Century Corporation:

Opinion

We have audited the consolidated financial statements of Tokyo Century Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Impairment of leased assets related to operating leases for aircraft held by Aviation Capital Group LLC</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>On the consolidated balance sheet as of March 31, 2023, the Group recorded ¥2,229,830 million of leased assets as tangible fixed assets, which included ¥1,552,275 million of leased assets related to operating leases for aircraft.

The prolongation of the COVID 19 pandemic, Russian invasion of Ukraine and the economic sanctions imposed on Russia by the United States, the European Union and other countries have had an impact on the aircraft leasing business.

The accounting estimates for the impairment of the leased assets are stated in the Notes to the consolidated financial statements, "Significant Accounting Estimates: (1) Impairment of leased assets." The amount of impairment losses on leased assets for aircraft for the year ended March 31, 2023, was ¥4,740 million in costs and ¥45,839 million in Russian related losses.

Most of the leased assets related to operating leases for aircraft are held by Aviation Capital Group LLC (the "Subsidiary"), a consolidated subsidiary of Tokyo Century Corporation (the "Company"). The Subsidiary assesses the leased assets for impairment in accordance with accounting principles generally accepted in the United States of America, identifying individual aircraft as a cash generating unit. If an indication of impairment is identified, the Subsidiary determines whether an impairment loss should be recognized. The indications of impairment include cancellations of lease contracts due to credit instability of the lessees and other factors.

When determining whether or not to recognize impairment losses on aircraft held for leasing purposes that have been returned due to the cancellations of lease contracts, etc. and will not be reclassified as held for sale, the Subsidiary utilizes undiscounted future cash flows assuming that the aircraft will be secondarily leased in the future. In order to maintain the reasonableness of the estimates of future cash flows, the Subsidiary establishes and operates internal controls over the review and approval of estimates. Furthermore, as stated in "Significant Accounting Estimates (1) Impairment of leased assets" in the Notes to the consolidated financial statements, the future cash flows are estimated based on the possibility of secondary leasing, lease income, disposal value, etc. taking into consideration of future market conditions.

If leased assets are determined to be impaired, impairment losses are measured based on the estimated sales price or the discounted future cash flows.</td><td>Our audit procedures performed in relation to the key audit matter included the following, among others:

We instructed our Subsidiary's audit team to perform the audit of the Subsidiary and we performed the following procedures, among others:

• We tested the design and operating effectiveness of the Subsidiary's internal controls over management's estimates of the probability of securing potential secondary leasing contracts and projection of future cash flows related to aircraft held for leasing purposes that were returned due to the cancellations of lease contracts.

• We made inquiries of management regarding their estimates over the possibility of secondary leasing, lease income, disposal value, etc., taking into consideration of future market conditions which have been incorporated as assumptions for estimating the future cash flows.

• We evaluated the accuracy of management's estimates, relating to the probability of securing potential secondary leasing and projection of future leasing cash flows from aircraft held for leasing purposes that were returned due to the cancellations of lease contracts, by comparing estimates made by management with actual results in the past fiscal years.

• We tested the reasonableness of the estimates of the probability of securing potential secondary leasing and projection of future cash flows from aircraft held for leasing purposes that were returned due to the cancellations of lease contracts, by inquiry of management and testing the reasonableness by comparing these estimates with available external data.</td></tr>
</table>

The Subsidiary has estimated future cash flows from aircraft held for leasing purposes that have been returned due to the cancellations of lease contracts, etc., based on the possibility of secondary leasing, lease income, disposal value, etc. taking into consideration of future market conditions as described above. These estimates of future cash flows include significant judgment by management, as they include the probability of securing secondary leasing contracts and the projection of future leasing cash flows from the leasing of returned aircraft. In consideration of the above, in connection with leased assets related to the leasing of aircraft held by the Subsidiary, we determined the reasonableness of the estimates of future cash flows used to determine whether impairment losses should be recognized and measure impairment losses on aircraft held for leasing purposes that were returned due to the cancellations of lease contracts as well as the reasonableness of certain assumptions used to determine whether impairment losses should be recognized as a key audit matter.	

Reasonableness of the classification of loans between (1) general loans and (2) claims provable in bankruptcy or rehabilitation in the assessment of provable losses from bad debts	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group engages in leasing, installment sales and loan transactions, among others. There is a risk of an increase in bad debt expenses should there be an increase in the number of non performing loans due to future economic trends or the deterioration of the credit status of debtors. The Group records provable losses from bad debts as an allowance for doubtful accounts or write offs such provable losses directly from the amount of loans in preparation for losses of loans to be incurred due to the situations described above. As of March 31, 2023, the Group recorded ¥14,396 million of allowances for doubtful accounts. The loans uncollectible of ¥476 million were directly written off from claims provable in bankruptcy or rehabilitation. The amount of allowance for doubtful accounts held by the Company was ¥8,535 million (before elimination of intra group transactions), and the amounts of loans uncollectible of ¥476 million were directly written off from claims provable in bankruptcy or rehabilitation (before elimination of intra group transactions). As stated in the Notes to the consolidated financial statements, "Significant Accounting Estimates: (3) Allowances for doubtful accounts," the Group classifies loans into the following categories based on credit information, such as the counterparty's business condition and payment status, in accordance with its internal management rules: 1. General loans, and 2. Claims provable in bankruptcy or rehabilitation.	Our audit procedures performed in relation to the key audit matter included the following, among others: • We evaluated whether the internal management rules that the Group applies to determine the classification of loans as general loans or claims provable in bankruptcy or rehabilitation, comply with accounting principles generally accepted in Japan. • In accordance with internal management rules, we evaluated the design and operating effectiveness of the internal controls over the review and approval within the Company regarding loan classification based on credit information, such as payment delinquency information, including Information Technology automated controls over the accuracy and completeness of such payment delinquency information. • We tested the reasonableness of the loan classification made by the Group through inquiries of management, inspection of credit information, such as payment delinquency information used in determining loan classification.

To estimate provable losses from bad debts, the Group uses the loan loss ratio for general loans and assesses collectability on an individual loan basis for claims provable in bankruptcy or rehabilitation. The Group establishes internal management rules to determine the classification of loans, and designs and implements internal controls over the review and approval of loan classification. The Group classifies loans into the categories of (1) general loans and (2) claims provable in bankruptcy or rehabilitation, based on credit information, such as the counterparty's business condition and payment status, in accordance with its internal management rules. The reasonableness of the classification of loans between (1) general loans and (2) claims provable in bankruptcy or rehabilitation in the assessment of provable losses from bad debts held by the Company is significant to the consolidated balance sheet. This is due to the following reasons: (1) There is a large difference in the allowance rates used for general loans and for claims provable in bankruptcy or rehabilitation; (2) The amount of loans held by the Company is quantitatively material. In consideration of the above, we determined the reasonableness of the classification of loans between (1) general loans and (2) claims provable in bankruptcy or rehabilitation in the assessment of provable losses from bad debts for claims held by the Company as a key audit matter.	

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 21, 2023

Consolidated Balance Sheet

Tokyo Century Corporation and Consolidated Subsidiaries
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Assets			
Current assets:			
Cash and cash equivalents (Notes 12 and 24)	**¥ 201,280**	¥ 240,047	**$ 1,507,270**
Time deposits other than cash equivalents (Note 24)	**15,156**	753	**113,498**
Receivables–trade:			
Installment sales (Notes 12, 13 and 24)	**161,678**	153,939	**1,210,710**
Lease receivables and investment in leases (Notes 12, 13, 22 and 24)	**1,565,153**	1,575,049	**11,720,481**
Loans (Notes 12 and 24)	**450,576**	407,370	**3,374,093**
Leases	**74,572**	77,358	**558,430**
Operational investment securities (Notes 9, 10, 12 and 24)	**326,042**	352,044	**2,441,533**
Short-term investment securities (Notes 9 and 24)	**300**	450	**2,246**
Inventories (Notes 8 and 12)	**28,147**	13,341	**210,782**
Other current assets (Notes 12 and 30)	**180,748**	150,858	**1,353,512**
Allowance for doubtful accounts (Notes 5, 14, 19 and 24)	**(6,862)**	(7,640)	**(51,389)**
Total current assets	**2,996,794**	2,963,571	**22,441,171**
Property and equipment, at cost less accumulated depreciation:			
Leased assets (Notes 5, 11, 12 and 17)	**2,229,830**	1,991,616	**16,697,850**
Advances for purchases of property for lease	**81,147**	55,862	**607,664**
Other operating assets (Note 11)	**214,976**	116,248	**1,609,826**
Construction in progress	**5,105**	84,596	**38,230**
Own assets in use (Notes 11 and 12)	**23,773**	19,029	**178,025**
Total property and equipment, net	**2,554,833**	2,267,353	**19,131,597**
Investments and other assets:			
Investments in securities (Notes 9, 10, 12 and 24)			
Unconsolidated subsidiaries and associated companies	**254,212**	168,947	**1,903,643**
Other securities	**71,533**	66,004	**535,669**
Long-term loans and other assets	**73,362**	68,554	**549,366**
Goodwill (Note 5)	**58,064**	53,308	**434,807**
Claims provable in bankruptcy or rehabilitation (Notes 5, 24)	**10,432**	17,045	**78,126**
Computer software leased to customer	**2,640**	2,086	**19,769**
Other intangible assets	**34,751**	34,824	**260,232**
Assets for employees' retirement benefits	**177**	108	**1,326**
Deferred charges	**2,567**	3,087	**19,222**
Deferred tax assets (Note 19)	**30,279**	29,178	**226,747**
Allowance for doubtful accounts (Notes 5, 19 and 24)	**(7,533)**	(10,284)	**(56,416)**
Total investments and other assets	**530,486**	432,862	**3,972,494**
Total assets	**¥6,082,114**	¥5,663,787	**$45,545,263**

The accompanying notes are an integral part of these statements.

	Millions of yen 2023	2022	Thousands of U.S. dollars (Note 1) 2023
Liabilities and Equity			
Current liabilities:			
Short-term borrowings (Notes 12, 13 and 24)	**¥ 647,362**	¥ 654,974	**$ 4,847,703**
Current portion of long-term debt (Notes 12, 13 and 24)	**1,052,259**	782,607	**7,879,733**
Notes and accounts payable – trade (Note 24)	**202,665**	206,112	**1,517,636**
Lease obligations (Notes 22 and 24)	**8,779**	5,763	**65,740**
Accrued income taxes (Note 19)	**12,157**	15,269	**91,037**
Deferred profit on installment sales (Note 24)	**14,173**	12,191	**106,139**
Other current liabilities (Note 30)	**168,784**	146,667	**1,263,925**
Total current liabilities	**2,106,181**	1,823,584	**15,771,916**
Long-term liabilities:			
Long-term debt (Notes 12,13 and 24)	**2,815,036**	2,809,801	**21,080,102**
Lease obligations (Notes 22 and 24)	**19,925**	12,014	**149,210**
Provision for directors' retirement benefits	**415**	480	**3,112**
Liability for employees' retirement benefits (Note 21)	**12,303**	12,034	**92,135**
Provision for automobile inspection costs	**793**	867	**5,945**
Deferred tax liabilities (Note 19)	**43,100**	42,101	**322,750**
Other long-term liabilities (Note 30)	**195,371**	167,322	**1,463,015**
Total long-term liabilities	**3,086,946**	3,044,622	**23,116,271**
Total liabilities	**5,193,128**	4,868,206	**38,888,188**
Commitments and Contingent Liabilities (Note 23)			
Equity (Note 32)**:**			
Common stock without par value:			
Authorized: 400,000,000 shares			
Issued: 123,028,320 shares in 2023 and 2022	**81,129**	81,129	**607,527**
Capital surplus	**56,491**	56,244	**423,027**
Stock acquisition rights (Note 27)	**2,039**	2,432	**15,271**
Retained earnings	**474,223**	486,946	**3,551,170**
Treasury stock:			
627,532 shares in 2023 and 826,799 shares in 2022	**(1,631)**	(2,148)	**(12,215)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**20,781**	23,069	**155,618**
Deferred gains on hedges	**7,298**	7,781	**54,653**
Foreign currency translation adjustments	**123,168**	20,055	**922,330**
Defined retirement benefit plans (Note 21)	**137**	(53)	**1,026**
Total	**763,636**	675,457	**5,718,410**
Non-controlling interests	**125,349**	120,123	**938,663**
Total equity	**888,985**	795,580	**6,657,074**
Total liabilities and equity	**¥6,082,114**	¥5,663,787	**$45,545,263**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

Tokyo Century Corporation and Consolidated Subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Revenues	¥1,324,962	¥1,277,976	$9,921,843
Costs (Note 8, 17)	1,099,459	1,070,909	8,233,185
Gross profit	225,503	207,066	1,688,658
Selling, general and administrative expenses (Note 14)	134,281	124,391	1,005,554
Operating income	91,221	82,675	683,103
Other income (expenses):			
Interest and dividend income	3,151	1,046	23,599
Interest expense	(5,943)	(3,365)	(44,508)
Equity in earnings of unconsolidated subsidiaries and associated companies	18,306	9,631	137,089
Foreign exchange loss	(72)	(604)	(540)
Commissioning cost (Note 15)	(1,682)	(22)	(12,597)
Gain on sales of investments in securities	4,934	538	36,953
Russia-related losses (Note 16)	(74,794)	—	(560,090)
Other — net	476	(492)	3,569
Other income (expenses)-net	(55,622)	6,732	(416,525)
Income before income taxes	35,598	89,407	266,578
Income taxes (Note 19)**:**			
Current	29,563	28,947	221,383
Deferred	(8,476)	1,772	(63,472)
Total income taxes	21,087	30,719	157,910
Net income	14,511	58,687	108,667
Net income attributable to:			
Non-controlling interests	9,745	8,397	72,979
Owners of the parent (Note 32)	¥ 4,765	¥ 50,290	$ 35,688

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock (Note 32)	2023	2022	2023
Basic net income	¥ 38.95	¥411.56	$0.29
Diluted net income	¥ 38.8	¥409.74	$0.29
Cash dividends applicable to the year	¥143.00	¥143.00	$1.07

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Net income	**¥ 14,511**	¥ 58,687	**$108,667**
Other comprehensive income (Note 18)**:**			
Unrealized gain (loss) on available-for-sale securities	**(1,048)**	339	**(7,849)**
Deferred gain (loss) on hedges	**(575)**	6,942	**(4,312)**
Foreign currency translation adjustments	**99,155**	58,871	**742,515**
Defined retirement benefit plans	**139**	324	**1,046**
Share of other comprehensive income in associates	**3,977**	4,084	**29,785**
Total other comprehensive income	**101,648**	70,563	**761,185**
Comprehensive income	**¥116,160**	¥129,251	**$869,853**
Comprehensive income attributable to:			
Owners of the parent	**¥105,297**	¥119,597	**$788,506**
Non-controlling interests	**¥ 10,863**	¥ 9,653	**$ 81,347**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Equity

Tokyo Century Corporation and Consolidated Subsidiaries

	Thousands	Millions of yen				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance as of April 1, 2021	123,028	¥81,129	¥56,078	¥2,504	¥453,878	¥(2,460)
Issuance of new shares						
Cash dividends					(17,221)	
Net income attributed to owners of the parent					50,290	
Purchase of treasury stock						(2)
Disposal of treasury stock			165			314
Change in scope of consolidation					(0)	
Purchase of shares of consolidated subsidiaries						
Net change in the year				(72)		
Balance as of March 31, 2022	**123,028**	**81,129**	**56,244**	**2,432**	**486,946**	**(2,148)**
Issuance of new shares						
Cash dividends					**(17,488)**	
Net income attributed to owners of the parent					**4,765**	
Purchase of treasury stock						**(1)**
Disposal of treasury stock			**273**			**518**
Change in scope of consolidation					**–**	
Purchase of shares of consolidated subsidiaries			**(27)**			
Net change in the year				**(393)**		
Balance as of March 31, 2023	**123,028**	**¥81,129**	**¥56,491**	**¥2,039**	**¥474,223**	**¥(1,631)**

	Millions of yen						
	Accumulated Other Comprehensive Income						
	unrealized gain on available for sale security	Deferred (loss) gain on hedges	Foreign currency translation adjustments	Defined retirement benefit plans	Subtotal	Non-controlling interests	Total Equity
Balance as of April 1, 2021	¥22,932	¥ 804	¥ (41,893)	¥(297)	¥572,677	¥115,668	¥688,345
Issuance of new shares							
Cash dividends					(17,221)		(17,221)
Net income attributed to owners of the parent					50,290		50,290
Purchase of treasury stock					(2)		(2)
Disposal of treasury stock					480		480
Change in scope of consolidation					(0)		(0)
Purchase of shares of consolidated subsidiaries					–		–
Net change in the year	136	6,976	61,949	244	69,234	4,454	73,689
Balance as of March 31, 2022	**23,069**	**7,781**	**20,055**	**(53)**	**675,457**	**120,123**	**795,580**
Issuance of new shares							
Cash dividends					**(17,488)**		**(17,488)**
Net income attributed to owners of the parent					**4,765**		**4,765**
Purchase of treasury stock					**(1)**		**(1)**
Disposal of treasury stock					**792**		**792**
Change in scope of consolidation					**–**		**–**
Purchase of shares of consolidated subsidiaries					**(27)**		**(27)**
Net change in the year	**(2,288)**	**(483)**	**103,112**	**190**	**100,137**	**5,225**	**105,363**
Balance as of March 31, 2023	**¥20,781**	**¥7,298**	**¥123,168**	**¥ 137**	**¥763,636**	**¥125,349**	**¥888,985**

The accompanying notes are an integral part of these statements.

	Thousands	Thousands of U.S dollars (Note 1)				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock
Balance as of March 31, 2022	123,028	$607,527	$421,177	$18,216	$3,646,446	$(16,089)
Issuance of new shares						
Cash dividends					(130,964)	
Net income attributed to owners of the parent					35,688	
Purchase of treasury stock						(8)
Disposal of treasury stock			2,051			3,882
Change in scope of consolidation						
Purchase of shares of consolidated subsidiaries			(202)			
Net change in the year				(2,945)		
Balance as of March 31, 2023	123,028	$607,527	$423,027	$15,271	$3,551,170	$(12,215)

	Thousands of U.S dollars (Note 1)						
	Accumulated Other Comprehensive Income						
	unrealized gain on available for sale security	Deferred (loss) gain on hedges	Foreign currency translation adjustments	Defined retirement benefit plans	Subtotal	Non-controlling interests	Total Equity
Balance as of March 31, 2022	$172,754	$58,272	$150,182	$ (397)	$5,058,090	$899,531	$5,957,621
Issuance of new shares							
Cash dividends					(130,964)		(130,964)
Net income attributed to owners of the parent					35,688		35,688
Purchase of treasury stock					(8)		(8)
Disposal of treasury stock					5,934		5,934
Change in scope of consolidation					—		—
Purchase of shares of consolidated subsidiaries					(202)		(202)
Net change in the year	(17,136)	(3,619)	772,148	1,424	749,872	39,132	789,004
Balance as of March 31, 2023	$155,618	$54,653	$922,330	$1,026	$5,718,410	$938,663	$6,657,074

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Operating activities:			
Income before income taxes	¥ 35,598	¥ 89,407	$ 266,578
Adjustments for::			
Income taxes paid	(36,613)	(28,287)	(274,179)
Depreciation and amortization of leased assets	200,410	180,279	1,500,749
Loss on sale and disposal of leased assets	125,522	150,816	939,961
Impairment loss	50,580	26,579	378,763
Depreciation of other operating assets, and cost of other operating asset sales	9,551	6,160	71,523
Depreciation and loss on sale and disposal of own assets in use	13,847	13,547	103,699
Amortization of goodwill	4,014	3,519	30,059
Foreign exchange loss	72	604	540
Increase (decrease) in allowance for doubtful accounts	(4,124)	5,276	(30,886)
Increase (decrease) in accrued bonus	28	(39)	216
Increase in liability for employees' retirement benefits	492	400	3,686
Equity in earnings of affiliates	(18,306)	(9,631)	(137,089)
Gain on sale of investments in securities	(4,934)	(538)	(36,953)
Decrease in installment sales receivable	9,102	12,953	68,162
Decrease in lease receivables and investment in leases	36,800	68,254	275,574
Decrease (increase) in loans receivable	(25,003)	73,143	(187,239)
Increase in operational investment securities	(22,206)	(27,711)	(166,288)
Purchases of leased assets	(399,607)	(318,122)	(2,992,416)
Purchase of other operating assets	(96,721)	(18,941)	(724,289)
Decrease (increase) in construction in progress	79,491	(11,638)	595,264
Decrease (increase) in claims provable in bankruptcy or rehabilitation	6,958	(2,923)	52,107
Decrease in notes and accounts payable - trade	(5,311)	(33,449)	(39,776)
(Decrease) increase in interest payable	1,725	(1,050)	12,918
Other — net	7,205	48,775	53,956
Total adjustments	(67,028)	137,975	(501,935)
Net cash provided by (used in) operating activities	(31,429)	227,383	(235,357)
Investing activities:			
Proceeds from sale of own assets in use	350	164	2,624
Purchase of own assets in use	(9,635)	(11,700)	(72,154)
Proceeds from sale/redemption of investments in securities	8,869	10,470	66,420
Purchase of investments in securities	(17,263)	(16,167)	(129,272)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,422)	(1,873)	(18,137)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	6,416	–
Other — net	(11,207)	(3,384)	(83,929)
Net cash provided by (used in) investing activities	¥ (31,308)	¥ (16,075)	$ (234,448)

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Financing activities:			
Decrease in short-term borrowings, net	¥ (24,949)	¥(249,174)	$ (186,835)
Proceeds from long-term loans	985,550	971,957	7,380,188
Repayment of long-term loans	(878,457)	(795,867)	(6,578,236)
Decrease in payables under securitized lease receivables, net	(14,300)	(29,300)	(107,084)
Proceeds from issuance of bonds	170	267,950	1,273
Redemption of bonds	(36,811)	(344,345)	(275,661)
Proceeds from stock issuance to non-controlling interest shareholders	192	105	1,439
Repayments to non-controlling interest shareholders	(1,451)	(1,426)	(10,871)
Cash dividends paid	(17,488)	(17,221)	(130,964)
Cash dividends paid to non-controlling interest shareholders	(4,557)	(3,244)	(34,130)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(27)	—	(202)
Other — net	(940)	(853)	(7,044)
Net cash provided by (used in) financing activities	6,926	(201,421)	51,870
Foreign currency translation adjustments on cash and cash equivalents	17,044	13,142	127,632
Net increase(decrease) in cash and cash equivalents	(38,766)	23,026	(290,302)
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	120	—
Cash and cash equivalents, beginning of year	240,047	216,901	1,797,572
Cash and cash equivalents, end of year	¥ 201,280	¥ 240,047	$ 1,507,270

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 Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance 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, 2023 is included solely for the convenience of readers and has been made at the rate of ¥133.54= US$1.00.

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

2. Summary of Significant Accounting Policies

a) Consolidation

The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 267 significant (277 in 2022) subsidiaries (together, the "Group"). Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," which was issued by Accounting Standards Board of Japan ("ASBJ"), clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei-Kumiai and other entities with similar characteristics. The Company applied this task force and consolidated collective investment vehicles. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

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.
FLCS 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.
TC Kobelco Real Estate Co., Ltd.
TC Property Solutions Corporation
TC Hotels & Resorts Karuizawa Corporaiton
TC Hotels & Resorts Beppu Corporaiton
TC Agency Corporation
TC Business Service Corporation
TC Business Experts Corporation
Kyocera TCL Solar LLC
TCLA Godo Kaisha
Shunan Power Corporation
A&tm Corporation
Tokyo Century Leasing China Corporation
Tokyo Century Factoring China Corporation
Tokyo Century Leasing (Singapore) Pte. Ltd.
Tokyo Century Capital (Malaysia) Sdn. Bhd.
PT. Century Tokyo Leasing Indonesia
TISCO Tokyo Leasing Co., Ltd.
TC Advanced Solutions Co., Ltd.
TC Car Solutions (Thailand) Co., Ltd.
HTC Leasing Co., Ltd.
BPI Century Tokyo Lease & Finance Corporation
Tokyo Century Asia Pte. Ltd.
CSI Leasing, Inc.
Tokyo Century (USA) Inc.
Allegiant Partners Incorporated
Aviation Capital Group LLC
TC Aviation Capital Ireland Ltd.
TC Skyward Aviation U.S., Inc.
TC Skyward Aviation Ireland Ltd.
CT Telesis Investments Inc.
TC Realty Investments Inc.

Equity Method Affiliated Companies

NTT TC Leasing Co., Ltd.
NITTSU Lease & Finance Co., Ltd.
ITOCHU TC Construction Machinery Co., Ltd.
FFG Lease Co., Ltd.
BOT Lease Co., Ltd.
Bplats, Inc.
Chuo Nittochi Asset Management Co., Ltd.
NTT Global Data Centers Holding Asia NAV2 Pte. Ltd.
NTT Global Data Centers Holding Asia BOM8 Pte. Ltd.
President Tokyo Corporation
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.
Suzhou New District Furui Leasing Co., Ltd.
P.T. Hexa Finance Indonesia
GA Telesis, LLC

(1) Number of consolidated subsidiaries:267

(2) Unconsolidated subsidiaries

TLC Capital Co., Ltd. and 106 other companies are operators of the leasing business mainly based on Tokumei-Kumiai 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, and item 2 of the Regulations for Consolidated Financial Statements.

Also, 8 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: 40

(4) Companies not accounted for by the equity method

TLC Capital Co., Ltd. and 106 other companies are operators of the leasing business mainly based on Tokumei-Kumiai 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 6 of the Accounting Standard for Equity Method.

Also 8 other unconsolidated subsidiaries and 6 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.

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.

(5) Business year of the consolidated subsidiaries

In preparing the consolidated financial statements as of March 31, 2023, the financial statements of TLC Cranberry Co., Ltd. and one other subsidiary are consolidated using financial statements prepared solely for consolidation purposes. Aviation Capital Group LLC, Nippon Rent-A-Car Service, Inc. and 170 other subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, 2022, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31, 2023.

b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c) 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.

d) Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

e) Revenue recognition

(Finance leases)

Lease revenues and the related costs 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 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.

f) Allocation of interest expense

Interest expense is allocated to costs and other expenses based on the balances of the respective operating assets, which consist principally of lease receivables, investment in leases and loans. Interest expense corresponding to operating assets are classified as costs, and interest expense corresponding to assets other than operating assets are classified as other expenses. Interest expense classified as costs is stated net of interest income.

g) Securities

Securities held by the Companies are classified as available-for-sale securities. Securities other than non-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" and "Investments in securities". In addition, the Companies record income from these securities as "Revenues" in the consolidated statement of income.

h) Inventories

Inventories held by the Companies are mainly 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)

i) Property and equipment

(Leased assets)

The leased assets are initially recorded at their acquisition cost and depreciated over the term of the lease or estimated useful lives 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 or the useful live ends. Depreciation is added up to prepare for loss on disposal of leased assets caused by customer accidents etc.

(Other operating assets)

Depreciation of the other operating assets is calculated by the straight-line method.

(Own assets in use)

Depreciation of own assets in use 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.

j) Deferred charges

Business commencement expenses are amortized using the straight-line method over 5 years. Bond issuance costs are amortized using the interest method over the redemption period.

k) Intangible assets

Computer software leased to customer 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 (5 or 10 years).

Goodwill is amortized by the straight-line method over a reasonable period within 20 years.

l) 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.

m) 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 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. Past service costs are expensed by the straight-line method for a certain number of years (5 to 16.3 years) within the average remaining service period of the employee at the time of occurrence.

Actuarial differences, which are calculated by prorating the amount proportionally divided by the straight-line method for a certain number of years (5 to 15.7 years) within the average remaining working period of employees at the time of occurrence, are expensed from the next consolidated fiscal year.

n) Derivatives and hedging activities

The Companies enter into interest-rate swap contracts, forward foreign exchange contracts, currency swaps and loans from banks investment in leases, 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, available-for-sale securities denominated by foreign currency 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.

(Hedge related items applying the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR")

Of the above-mentioned hedge related items, as stipulated in the following practical solution, special treatment is applied to all of the hedge related items that are covered in the scope of application of "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ, Practical Solution No. 40, March 17, 2022). Description of hedge related items to which said practical solution is applied is as follows:

1) Hedge accounting applied – Deferral method is applied.
2) Hedging instruments – Interest rate swaps
3) Hedged items – Short-term borrowings and Long-term Debt
4) Categories of hedges – Hedge of the exposure to variability in cash flows

o) Allowance for doubtful accounts

The allowance for doubtful accounts is recorded on the basis of historical experience to provide in possible losses from bad debts related to general loans and also for the estimated amounts considered to be uncollectible after individually reviewing the specific collectability of claims provable of bankruptcy or rehabilitation.

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 ¥476 million ($3,564 thousand) as of March 31, 2023.

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) Provision for automobile inspection costs

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

3. Changes in accounting policies

(Application of the Accounting Standard for Fair Value Measurement and Other Standards)

Starting at the beginning of the consolidated fiscal year, the Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASB Guidance No. 31, June 17, 2021, the"Fair Value Measurement Guidance"). In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance, the Company will prospectively apply the new accounting policies pursuant to the Fair Value Measurement Guidance. There is no impact by applying the guidance on the consolidated financial statements.

In accordance with Paragraph 27-3 of the Fair Value Measurement guidance, notes regarding investment trusts by levels in Note 24 Financial Instruments related to the previous consolidated fiscal year are not stated.

4. New Accounting Pronouncements

"Financial Instruments—Credit Losses" (FASB ASU No. 2016-13)

(1) Overview

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-13 "Financial Instruments—Credit Losses" on June 16, 2016. The new standard introduced an expected credit loss methodology for financial assets, an alternative to the existing incurred loss methodology, requiring entities at initial recognition to estimate lifetime expected credit losses and recognize provisions.

(2) Scheduled date of adoption

The Company expects to adopt the new standard to its certain foreign consolidated subsidiaries applying the U.S. GAAP from the beginning of the consolidated fiscal year ending March 31, 2024.

(3) Impact of application of the accounting standards

The Company is currently evaluating the effect of the adoption of the new standard on its consolidated financial statements.

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These accounting standards and guidance set forth the classification of income taxes if they are levied on entities' other comprehensive income and the treatment of tax effect accounting for the sale of investments in unconsolidated subsidiaries if the group tax sharing system is applied.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standards and guidance from the beginning of the consolidated fiscal year ending March 31, 2025.

(3) Impact of application of the accounting standards

The Company is currently evaluating the effect of the adoption of the accounting standards and guidance on its consolidated financial statements.

5. Significant Accounting Estimates

(1) Impairment of leased assets

Leased assets (property and equipment) of ¥2,229,830 million ($16,697,850 thousand) and ¥1,991,616 million were recorded on the Consolidated Balance Sheet as of March 31, 2023 and 2022, including leased assets of ¥1,552,275 million ($11,624,046 thousand) and ¥1,338,000 million associated with aircraft leases.

Leased assets are generally grouped based on the smallest cash-generating unit. For aircraft leases, assets are grouped by individual aircraft for the purposes of testing for indication of impairment. Indication of impairment includes events or other factors leading to a significant decline in the market price or recoverable value of assets. For aircraft leases, these include factors such as the cancellation of lease contracts for reasons such as concerns over the creditworthiness of the lessee. If indication of impairment is identified, then the Company estimates the possibility of secondary leasing, lease income, disposal value, etc. based on consideration of future market conditions, and determines whether it is necessary to recognize impairment of these assets. If, as a result, it is deemed necessary to recognize impairment of any leased assets, then an impairment loss is recorded equal to the difference between the carrying amount and the recoverable amount for the said assets, which is taken to be the higher of the net sales value and value in use. Net sales value is estimated based on a consideration of present market conditions, and value in use is calculated using a discount rate based on the weighted average cost of capital, estimated with reference to factors including market interest rates.

Eight aircraft leases were terminated due to Russian sanctions. Seven out of the eight aircraft are not scheduled to be repatriated and it has become difficult to estimate their future cash flow. As a result, we have recorded impairment for their entire book value in Russia-related losses. For the one aircraft which was repatriated, the difference between its book and fair value was also recorded in Russia-related losses. Total impairment loss included in Russia-related losses is ¥45,839 million.

During the fiscal year ended March 31, 2023 and 2022, impairment loss of ¥4,740 million ($35,497 thousand) and ¥18,421 million was recorded as costs. Impairment loss of ¥45,839 million ($343,266 thousand) was recorded as Russia-related losses during the fiscal year ended March 31, 2023. All of this impairment loss, ¥50,580 million ($378,763 thousand) was associated with aircraft leases.

The Company considers that the accounting estimates used in the valuation of leased assets are reasonable, but it is possible that the Group may record additional impairment loss in the future, if the estimates used for determining recoverable value change due to factors such as unforeseeable changes in assumptions.

(2) Impairment of goodwill

Goodwill of ¥58,064 million ($434,807 thousand) and ¥53,308 million was recorded on the Consolidated Balance Sheet as of March 31, 2023 and 2022. No impairment of goodwill was recorded during the fiscal year ended March 31, 2023.

Goodwill arising from business combinations is grouped on the basis of company units. Goodwill is amortized using the straight-line method for a reasonable period within twenty years based on an individual estimate of the period during which its benefits will materialize. Goodwill is tested for indication of impairment based on factors such as the business performance of subsidiaries and business plans. The Company may need to record impairment losses in the future, if the recognition of impairment becomes necessary because it can no longer anticipate the profitability or cost reduction effects initially forecasted.

(3) Allowance for doubtful accounts

Allowance for doubtful accounts of ¥14,396 million ($107,806 thousand) and ¥17,924 million was recorded on the Consolidated Balance Sheet as of March 31, 2023 and 2022. The amounts of long term receivables considered uncollectible were directly written off from claims provable in bankruptcy or rehabilitation. The amount directly written off was ¥476 million ($3,564 thousand) and ¥728 million on the Consolidated Balance Sheet as of March 31, 2023 and 2022.

Receivables were classified based on the counterparty's business condition and payment status. The allowance for doubtful accounts is recorded on the basis of historical experience to provide for possible losses from bad debts related to general loans and also for the estimated amounts considered to be uncollectible after individually reviewing the specific collectability of claims provable in bankruptcy or rehabilitation. The Company's senior management believes that the accounting estimates used to evaluate receivables are reasonable, that the allowance for doubtful accounts provided is sufficient, and that receivables are recorded in an amount that is recoverable. However, the valuation of receivables entails a degree of uncertainty beyond the Company's control. It is therefore possible that the valuation of receivables may change due to factors such as unforeseeable changes in assumptions.

6. Changes in Presentation Method

"Commission fee" in the amount of ¥22 million ($169 thousand) in the fiscal year ended March 31, 2022, which was previously included in "Other–net" in Other income (expenses), is presented separately for the fiscal year ended March 31, 2023 since the amount is significant.

"Loss on valuation of investment in securities" in the amount of ¥675 million ($5,058 thousand) in the fiscal year ended March 31, 2022, which was previously presented separately, is included in "Other–net" in Other income (expenses) for the fiscal year ended March 31, 2023 since the amount is insignificant.

"Fair value adjustment of contingent consideration" in the amount of ¥329 million ($2,467 thousand) in the fiscal year ended March 31, 2022, which was previously presented separately, is included in "Other–net" in Other income (expenses) for the fiscal year ended March 31, 2023 since the amount is insignificant.

"Loss on disposal of property and equipment" in the amount of ¥275 million ($2,065 thousand) in the fiscal year ended March 31, 2022, which was previously presented separately, is included in "Other–net" in Other income (expenses) for the fiscal year ended March 31, 2023 since the amount is insignificant.

"Loss on temporary closure" in the amount of ¥202 million ($1,514 thousand) in the fiscal year ended March 31, 2022, which was previously presented separately, is included in "Other–net" in Other income (expenses) for the fiscal year ended March 31, 2023 since the amount is insignificant.

7. Additional information

At the end of the current fiscal year, Aviation Capital Group LLC, a wholly owned subsidiary of the Company, had commitments to purchase 121 aircraft (mainly narrow-body) from Boeing, Airbus and other institutions scheduled for delivery through 2028. The estimated aggregate remaining payments for the purchase of aircraft is ¥842,588 million ($6,349,572 thousand).

8. Inventories

The breakdown of inventories as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Merchandise and finished goods	¥17,849	¥9,027	$133,665
Work in progress	2,200	2,638	16,475
Raw materials and supplies	8,097	1,675	60,640

The carrying amounts of inventories held for sale in the ordinary course of business which have been written down due to a decline in profitability for years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Costs	¥2,536	¥—	$18,992

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, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Available-for-sale securities	¥397,875	¥367,658	$2,979,449
Investments in unconsolidated subsidiaries and affiliates	254,212	219,787	1,903,643
Total	¥652,088	¥587,446	$4,883,093

Available-for-sale securities included in operational investment securities, short-term investment securities and investments in securities as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Equity securities	¥ 64,893	¥133,854	$485,947
Debt securities	7,405	5,942	55,453
Other	60,236	227,861	451,077
Total	¥132,535	¥367,658	$992,477

The carrying amounts and aggregate fair value of available-for-sale securities with determinable market value as of March 31, 2023 and 2022 were as follows:

	Millions of yen			
	March 31, 2023			
	Cost	Unrealized gain	Unrealized loss	Fair value
Equity securities	¥ 45,966	¥20,081	¥1,154	¥ 64,893
Debt securities	6,618	786	—	7,405
Other	56,651	4,374	789	60,236
Total	¥109,236	¥25,242	¥1,944	¥132,535

	Millions of yen			
	March 31, 2022			
	Cost	Unrealized gain	Unrealized loss	Fair value
Equity securities	¥ 63,406	¥24,064	¥2,355	¥ 85,115
Debt securities	5,689	253	—	5,942
Other	52,384	9,205	1,434	60,155
Total	¥121,480	¥33,523	¥3,790	¥151,213

	Thousands of U.S. dollars			
	March 31, 2023			
	Cost	Unrealized gain	Unrealized loss	Fair value
Equity securities	**$344,212**	**$150,380**	**$ 8,645**	**$485,947**
Debt securities	**49,562**	**5,891**	**—**	**55,453**
Other	**424,231**	**32,757**	**5,911**	**451,077**
Total	**$818,006**	**$189,029**	**$14,557**	**$992,477**

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2023 and 2022 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Equity securities	**¥ 55,468**	¥ 48,738	**$ 415,366**
Debt securities	**—**	—	**—**
Other	**209,872**	167,706	**1,571,605**
Total	**¥265,340**	¥216,445	**$1,986,971**

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		
	March 31, 2023		
	Cost or book value	Realized gain	Realized loss
Available-for-sale:			
Equity securities	**¥14,235**	**¥ 7,605**	**¥24**
Debt securities	**—**	**—**	**—**
Other	**17,260**	**5,361**	**—**
Total	**¥31,495**	**¥12,966**	**¥24**

	Millions of yen		
	March 31, 2022		
	Cost or book value	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥22,103	¥2,228	¥266
Debt securities	—	—	—
Other	9,614	4,600	—
Total	¥31,718	¥6,828	¥266

	Thousands of U.S. dollars		
	March 31, 2023		
	Cost or book value	Realized gain	Realized loss
Available-for-sale:			
Equity securities	**$106,599**	**$56,951**	**$182**
Debt securities	**—**	**—**	**—**
Other	**129,252**	**40,149**	**—**
Total	**$235,851**	**$97,101**	**$182**

The impairment losses on securities recognized for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Available-for-sale securities:			
Equity securities	¥18,842	¥1,767	$141,102
Other	—	—	—
Investments in unconsolidated subsidiaries and affiliates:			
Unconsolidated subsidiaries	2	3	19
Affiliates	—	1,091	—
Total	¥18,845	¥2,861	$141,122

10. Investments in non-consolidated subsidiaries and affiliates

The breakdown of investments in non-consolidated subsidiaries and affiliates as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operational investment securities (Preferred equity investments, etc.)	¥ —	¥ 50,840	$ —
Investments in securities	254,212	168,947	1,903,643

11. Accumulated Depreciation of Property and Equipment

The accumulated depreciation of property and equipment as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Leased assets	¥961,525	¥854,133	$7,200,277
Other operating assets	33,904	22,140	253,890
Own assets in use	23,394	18,748	175,185

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

The breakdown of short-term borrowings as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate
	2023	2022	2023	
Short-term loans from banks	¥278,054	¥252,174	$2,082,184	2.87%
Commercial paper	352,307	371,499	2,638,216	0.48%
Payables under securitized lease receivables	17,000	31,300	127,302	0.10%
Total	¥647,362	¥654,974	$4,847,703	

(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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate
	2023	2022	2023	
Long-term loans, principally from banks	¥2,805,842	¥2,592,182	$21,011,248	2.01%
Long-term payables under securitized lease receivables	8,800	142	65,897	0.31%
Bonds	1,052,654	1,000,083	7,882,689	0.90%
Total	3,867,296	3,592,408	28,959,835	
Less current portion	1,052,259	782,607	7,879,733	
Total	¥2,815,036	¥2,809,801	$21,080,102	

(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 134 and 135 financial institutions as of March 31, 2023 and 2022 amounting to ¥1,926,554 million ($14,426,795 thousand) and ¥1,796,326 million, respectively. The unused facilities maintained by the Companies as of March 31, 2023 and 2022 amounted to ¥1,470,830 million ($11,014,115 thousand) and ¥1,408,536 million, respectively.

The aggregate annual maturity of long-term debt subsequent to March 31, 2023 is summarized as follows:

Years Ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥1,052,259	$ 7,879,733
2025	812,274	6,082,634
2026	699,744	5,239,965
2027	578,224	4,329,973
2028	257,905	1,931,295
2029 and thereafter	466,887	3,496,233
Total	¥3,867,296	$28,959,835

The Companies' assets pledged as collateral, principally for liabilities as of March 31, 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 11,161	$ 83,580
Accounts receivable-installment sales	1,164	8,717
Accounts receivable-lease receivables and investment in leases	228,933	1,714,346
Accounts receivable-loans	3,279	24,560
Operational investment securities	5,093	38,143
Inventories	11,920	89,268
Other current assets	27,939	209,220
Leased assets	144,510	1,082,151
Other operating assets	121,694	911,294
Construction in progress	23	177
Own assets in use	1,614	12,092
Investments in securities	2,224	16,656
Other investments	8,667	64,905
Total	¥568,228	$4,225,115

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

	Millions of yen	Thousands of U.S. dollars
Short-term borrowings	¥ 1,715	$ 12,849
Long-term debt (including current portion)	335,603	2,513,133
Bonds	100	748
Payables under fluidity lease receivables	17,000	127,302
Long-term payables under fluidity lease receivables (including current portion)	8,800	65,897
Total	¥363,219	$2,719,931

13. 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 derivative 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.

Derivative transactions to which hedge accounting had not been applied as of March 31, 2023 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)
Currency swap contracts:						
Receive/JPY; Pay/USD	¥ 12,920 (12,920)	¥(2,136)	¥(2,136)	$ 96,755 (96,755)	$(16,001)	$(16,001)
Receive/PHP; Pay/USD	¥ 2,422 (–)	¥ 237	¥ 237	$18,139 (-)	$1,778	$1,778
Forward exchange contracts:						
Put/MXP	¥ 6,062 (2,869)	¥ (725)	¥ (725)	$ 45,400 (21,485)	$ (5,429)	$ (5,429)
Put/EUR	4,917 (691)	(126)	(126)	36,825 (5,177)	(946)	(946)
Put/CAD	2,686 (952)	71	71	20,117 (7,130)	535	535
Put/BRL	1,952 (997)	(137)	(137)	14,620 (7,472)	(1,032)	(1,032)
Put/GBP	1,182 (652)	49	49	8,853 (4,883)	373	373
Put/Other	963 (512)	4	4	7,212 (3,836)	35	35
Total	¥ 33,107 (19,595)	¥(2,762)	¥(2,762)	$ 247,923 (146,740)	$(20,687)	$(20,687)

Derivative transactions to which hedge accounting had not been applied as of March 31, 2022 were as follows:

	Millions of yen		
	Notional amount (over one year)	Fair value	Unrealized gain (loss)
Currency swap contracts:			
Receive/JPY; Pay/USD	¥ 11,199 (11,199)	¥(491)	¥(491)
Receive/PHP; Pay/USD	¥ 2,290 (2,290)	¥ (56)	¥ (56)
Forward exchange contracts:			
Put/MXP	¥ 6,321 (2,590)	¥(242)	¥(242)
Put/BRL	1,469 (709)	190	190
Put/GBP	650 (339)	(23)	(23)
Put/EUR	631 (324)	13	13
Put/Other	572 (291)	(7)	(7)
Call/AUD	6 (–)	0	0
Call/Other	1 (–)	0	0
Total	¥ 23,142 (17,745)	¥(617)	¥(617)

Derivative transactions to which hedge accounting had been applied as of March 31, 2023 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**	**¥ 133**	**¥ (40)**	**$ 1,003**	**$ (306)**
		(38)		**(290)**	
RMB	**Accounts- receivable –installment sales**	**21**	**(8)**	**162**	**(67)**
		(3)		**(24)**	
Call					
USD	**Investment in leases**	**2**	**0**	**18**	**0**
		(—)		**(—)**	
Currency swap contracts :					
Receive/MYR;					
Pay/USD	**Borrowings**	**1,990**	**(10)**	**14,905**	**(79)**
		(—)		**(—)**	
Deferral hedge accounting:					
Forward exchange contracts :					
Put					
EUR	**Net investment in foreign subsidiary**	**6,757**	**(529)**	**50,599**	**(3,967)**
		(—)		**(—)**	
GBP	**Net investment in foreign subsidiary**	**4,775**	**(376)**	**35,759**	**(2,820)**
		(—)		**(—)**	
Call					
USD	**Forecasted transactions**	**32,055**	**6,612**	**240,041**	**49,519**
		(30,120)		**(225,550)**	
CAD	**Forecasted transactions**	**12,482**	**2,013**	**93,474**	**15,076**
		(11,317)		**(84,750)**	
Currency swap contracts :					
Receive/USD; Pay/THB	**Borrowings**	**3,132**	**303**	**23,456**	**2,273**
		(496)		**(3,718)**	
Receive/JPY; Pay/THB	**Borrowings**	**1,146**	**(97)**	**8,581**	**(728)**
		(1,146)		**(8,581)**	
Total		**¥ 62,497**	**¥7,865**	**$ 468,004**	**$58,900**
		(43,122)		**(322,915)**	

		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**	**¥ 394,410**	**¥3,824**	**$ 2,953,498**	**$28,636**
		(339,295)		**(2,540,778)**	
Short-cut method:					
Pay/fixed; Receive/floating	**Borrowings**	**26,728**	**(181)**	**200,153**	**(1,360)**
		(20,284)		**(151,894)**	
Total		**¥ 421,138**	**¥3,642**	**$ 3,153,652**	**$27,276**
		(359,579)		**(2,692,672)**	

Derivative transactions to which hedge accounting had been applied as of March 31, 2022 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	¥ 334	¥ (71)	$ 2,732	$ (583)
		(133)		(1,094)	
RMB	Accounts- receivable –installment sales	69	(25)	568	(207)
		(21)		(177)	
Call					
USD	Investment in leases	1	0	8	0
		(—)		(—)	
Currency swap contracts :					
Receive/USD; Pay/MYR	Borrowings	1,725	(24)	14,094	(196)
		(—)		(—)	
Receive/USD; Pay/THB	Borrowings	1,372		11,208	
		(—)	26	(—)	218
Deferral hedge accounting:					
Forward exchange contracts :					
Put					
EUR	Net investment in foreign subsidiary	5,705	168	46,608	1,379
		(—)		(—)	
GBP	Net investment in foreign subsidiary	4,670	88	38,152	726
		(—)		(—)	
PLN	Net investment in foreign subsidiary	405	15	3,309	127
		(—)		(—)	
Call					
USD	Forecasted transactions	30,672	5,502	250,568	44,950
		(30,672)		(250,568)	
CAD	Forecasted transactions	12,478	1,902	101,937	15,544
		(12,478)		(101,937)	
Currency swap contracts :					
Receive/USD; Pay/THB	Borrowings	3,155	163	25,778	1,338
		(2,812)		(22,976)	
Receive/JPY; Pay/THB	Borrowings	1,029	(3)	8,406	(27)
		(1,029)		(8,406)	
Receive/JPY; Pay/IDR	Borrowings	500	(37)	4,084	(307)
		(—)		(—)	
Total		¥ 62,117	¥7,707	$ 507,457	$62,962
		(47,147)		(385,161)	

		Millions of yen	
	Hedged items	Notional amount (over one year)	Fair value
Interest rate swap			
Deferral hedge accounting:			
Pay/fixed; Receive/floating	Borrowings	¥ 120,574	¥(707)
		(117,736)	
Short-cut method:			
Pay/fixed; Receive/floating	Borrowings	9,897	(12)
		(3,731)	
Total		¥ 130,472	¥(719)
		(121,467)	

14. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Employees' salaries, wages and bonuses	**¥ 58,786**	¥ 51,557	**$ 440,218**
Rent expenses	**14,056**	13,049	**105,263**
Provision for accrued bonuses for employees	**3,492**	3,408	**26,156**
Net periodic retirement benefit costs	**2,841**	2,581	**21,276**
Provision of allowance for doubtful accounts	**534**	7,457	**4,000**
Provision for accrued bonuses for directors	**246**	354	**1,849**
Provision for directors' retirement benefits	**96**	136	**723**
Other expenses	**54,225**	45,845	**406,065**
Total	**¥134,281**	¥124,391	**$1,005,554**

15. Commissioning cost

Commissioning cost primarily represents the cost required for test running power generation facilities owned by consolidated subsidiaries of the Company.

16. Russia-related loss

Impairment loss

In the wake of the ongoing Russian invasion of Ukraine that started on February 24, 2022, the United States, the European Union (EU), Britain, Japan and other countries have imposed wide-ranging economic sanctions on Russian industries and other related parties. These economic sanctions include the ban on the supply of aircraft to Russia through leasing.

ACG, a consolidated subsidiary of the Company, has complied with this economic sanction and terminated all its aircraft leases with Russian airlines, while taking various steps for the return of aircrafts. However, as a countermeasure against economic sanctions, Russia has enacted a law allowing foreign-registered aircraft leased from foreign leasing companies to be re-registered and operated in Russia, creating future uncertainty.

Given the situation, out of the eight aircraft with terminated leases, we have recorded the entire book value of seven aircraft which are not scheduled to be repatriated in other expenses, as it has become difficult to estimate the future cash flow. For the one aircraft which was repatriated, the difference between its book value and fair value is recorded as other expenses. Total impairment loss included in Russia-related losses is ¥45,839 million ($343,266 thousand).

Bad debt expense

The Company had initially judged that the recovery of ACG's financing and loan guarantee to one Russian airline would be possible by transferring the collateralized aircraft out of Russia and restructuring the financing structure. However, due in part to the prolonged invasion of Ukraine, there has subsequently been a delay in the procedure of transferring the aircraft out of Russia, and there has been no progress in the approval process on the Russian side.

In response to this situation, the Company determined that there was no prospect of recovering the financing and loan guarantee and recorded its full amount of ¥28,954 million ($216,823 thousand) as other expenses.

17. Impairment loss

The impairment loss for the year ended March 31, 2023 and 2022 were as follows.

Category	Types of Assets	Millions of yen 2023	Thousands of U.S. dollars 2023
Leased Assets	Transportation equipment (Aircraft)	¥50,580	$378,763

Leased assets are generally grouped based on the smallest cash-generating unit. For aircraft leases, assets are grouped by individual aircraft for the purposes of testing for indication of impairment. Indication of impairment includes events or other factors leading to a significant decline in the market price or recoverable value of assets. For aircraft leases, these include factors such as the cancellation of lease contracts for reasons such as concerns over the creditworthiness of the lessee. If indication of impairment is identified, then the Company estimates the possibility of secondary leasing, lease income, disposal value, etc. based on a consideration of future market conditions, and determines whether it is necessary to recognize impairment of these assets. If, as a result, it is deemed necessary to recognize impairment of any leased assets held by the subsidiaries, then an impairment loss is recorded on costs equal to the difference between the carrying amount and the recoverable amount for the said assets, which is taken to be the higher of the net sales value and value in use. Net sales value is estimated based on a consideration of present market conditions, and value in use is calculated using a discount rate based on the weighted average cost of capital, estimated with reference to factors including market interest rates.

Eight aircraft leases were terminated due to Russian sanctions. Seven out of the eight aircraft are not scheduled to be repatriated and it has become difficult to estimate their future cash flow. As a result, we have recorded impairment for their entire book value in Russia-related losses. For the one aircraft which was repatriated, the difference between its book and fair value was also recorded in Russia-related losses.

In the current fiscal year, impairment loss classified as costs is ¥4,740 million ($35,497 thousand) and classified as Russia-related losses is ¥45,839 million ($343,266 thousand).

If the net sales value is regarded as the recoverable value, the recoverable value for the fiscal year ended March 31, 2023 has been calculated based mainly on net sales value which has been calculated based mainly on estimates with reference to current market conditions. Also, if the value in use is regarded as the recoverable value, it is calculated based on the future cash flow discounted by 4.6% to 8.5%.

Category	Types of Assets	Millions of yen 2022	Thousands of U.S. dollars 2022
Leased Assets	Transportation equipment (Aircraft)	¥18,421	$150,489
	Other intangible assets	8,158	66,646
Total		¥26,579	$217,135

Leased assets are generally grouped based on the smallest cash-generating unit. For aircraft leases, assets are grouped by individual aircraft for the purposes of testing for indication of impairment. Indication of impairment includes events or other factors leading to a significant decline in the market price or recoverable value of assets. For aircraft leases, these include factors such as the cancellation of lease contracts for reasons such as concerns over the creditworthiness of the lessee. If indication of impairment is identified, then the Company estimates lease income, disposal value, etc. based on a consideration of future market conditions, and determines whether it is necessary to recognize impairment of these assets. If, as a result, it is deemed necessary to recognize impairment of any leased assets held by the subsidiaries, then an impairment loss is recorded on costs equal to the difference between the carrying amount and the recoverable amount for the said assets, which is taken to be the higher of the net sales value and value in use. Net sales value is estimated based on a consideration of present market conditions, and value in use is calculated using a discount rate based on the weighted average cost of capital, estimated with reference to factors including market interest rates.

If the net sales value is regarded as the recoverable value, the recoverable value for the fiscal year ended March 31, 2022 has been calculated based mainly on net sales value which has been calculated based mainly on estimates with reference to current market conditions. Also, if the value in use is regarded as the recoverable value, it is calculated based on the future cash flow discounted by 3.3% to 6.0%.

In the consolidated fiscal year, the Company recorded an impairment loss on intangible assets related to the leasing of aircraft as costs. These intangible assets were recognized when the Company acquired a consolidated subsidiary engaged in the aircraft leasing business and identified lease contracts with more favorable contract terms than those current in the market as intangible assets. The Company reduced the recoverable value to zero and recognized an impairment loss for the full carrying amount of assets for which indications of impairment were identified due to factors such as the cancellation of lease contracts for reasons such as concerns over the creditworthiness of the lessee.

18. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Unrealized gain on available-for-sale securities			
Amount arising during the year	**¥ (8,618)**	¥ 795	**$ (64,536)**
Reclassification adjustments for gains (losses) included in net income	**6,962**	(134)	**52,137**
Amount before tax effect	**(1,655)**	660	**(12,398)**
Tax effect	**607**	(321)	**4,549**
Unrealized gain (loss) on available-for-sale securities	**(1,048)**	339	**(7,849)**
Deferred gain on hedges			
Amount arising during the year	**4,472**	2,998	**33,489**
Reclassification adjustments for gains and losses included in net income	**1,285**	1,404	**9,625**
Amount before tax effect	**5,757**	4,403	**43,115**
Tax effect	**(6,333)**	2,539	**(47,427)**
Deferred gain (loss) on hedges	**(575)**	6,942	**(4,312)**
Translation adjustments			
Amount arising during the year	**99,136**	58,727	**742,373**
Reclassification adjustments for gains and losses included in net income	**18**	144	**141**
Translation adjustments	**99,155**	58,871	**742,515**
Defined retirement benefit plans			
Amount arising during the year	**109**	350	**820**
Reclassification adjustments for gains and losses included in net income	**96**	126	**721**
Amount before tax effect	**205**	477	**1,542**
Tax effect	**(66)**	(152)	**(495)**
Defined retirement benefit plans	**139**	324	**1,046**
Share of other comprehensive income of affiliates accounted for using equity method			
Amount arising during the year	**4,111**	4,084	**30,787**
Reclassification adjustments for gains and losses included in net income	**(133)**	—	**(1,002)**
Share of other comprehensive income of affiliates accounted for using equity method	**3,977**	4,084	**29,785**
Total other comprehensive income (loss)	**¥101,648**	¥70,563	**$761,185**

19. Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
Deferred tax assets:			
Net operating loss carryforwards (Note)	¥ 83,320	¥ 56,979	$ 623,937
Deferred income	8,126	7,649	60,852
Interest in excess of the limitation of foreign companies	6,860	-	51,375
Bad debt loss	6,438	-	48,213
Loss on valuation of investment securities	4,714	4,625	35,304
Liability for employees' retirement benefits	3,724	3,595	27,888
Allowance for doubtful accounts	3,421	4,561	25,625
Valuation difference due to business combination	3,010	3,470	22,544
Loss on valuation of property and equipment	2,732	3,056	20,461
Tax adjustments for lease transactions	2,686	4,413	20,117
Accrued expenses	2,446	2,976	18,322
Accrued bonuses	1,336	1,272	10,011
Depreciation	1,273	1,564	9,536
Other	22,447	24,655	168,095
Subtotal	152,540	118,820	1,142,285
Valuation allowance for net operating loss carryforwards (Note)	(6,394)	(1,196)	(47,884)
Valuation allowance for deductible temporary difference	(10,629)	(10,870)	(79,597)
Total valuation allowance	(17,023)	(12,066)	(127,482)
Total deferred tax assets	135,516	106,753	1,014,803
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	(105,771)	(81,731)	(792,058)
Valuation difference due to business combination	(14,400)	(14,305)	(107,839)
Unrealized loss on available-for-sale securities	(9,809)	(10,433)	(73,459)
Valuation difference due to reorganization	(5,599)	(5,646)	(41,928)
Other	(12,755)	(7,559)	(95,520)
Total deferred tax liabilities	(148,337)	(119,676)	(1,110,806)
Net deferred tax assets	¥ (12,820)	¥ (12,923)	$ (96,003)

The statutory effective tax rates are 30.6% in years ended March 31, 2023 and 2022.

(Note): A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2023 and 2022 were as follows:

Millions of yen

As of March 31, 2023	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 (*1)	¥ 2	¥ 9	¥ 49	¥50	¥ 9	¥83,198	¥83,320
Valuation allowance	(2)	(9)	(45)	(4)	(3)	(6,329)	(6,394)
Deferred tax assets	¥ 0	¥ 0	¥ 3	¥46	¥ 6	¥76,868	(*2) ¥76,926

(*1): The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.
(*2): Net operating loss carryforwards of ¥83,320 million (the amount multiplied by the effective statutory tax rate) is calculated as deferred tax assets of ¥76,926 million for the year ended March 31, 2023. Such net operating loss carryforwards were 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 the forecast of future taxable income.

Millions of yen

As of March 31, 2022	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 (*1)	¥ 2	¥20	¥ 42	¥ 48	¥ 97	¥56,767	¥56,979
Valuation allowance	(2)	(20)	(41)	(45)	(41)	(1,045)	(1,196)
Deferred tax assets	¥ 0	¥ 0	¥ 0	¥ 3	¥ 56	¥55,721	(*2) ¥55,782

(*1) The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.
(*2) Net operating loss carryforwards of ¥56,979 million (the amount multiplied by the effective statutory tax rate) is calculated as deferred tax assets of ¥55,782 million for the year ended March 31, 2022. Such net operating loss carryforwards were 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 the forecast of future taxable income.

	Thousands of U.S. dollars						
	As of March 31, 2023						
	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 (*1)	$21	$73	$367	$381	$67	$623,025	$623,937
Valuation allowance	(16)	(69)	(344)	(30)	(22)	(47,401)	(47,884)
Deferred tax assets	$4	$3	$23	$350	$45	$575,624	(*2) $576,052

(*1) The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.
(*2) Net operating loss carryforwards of $623,937 thousand (the amount multiplied by the effective statutory tax rate) is calculated as deferred tax assets of $576,052 thousand for the year ended March 31, 2023. Such net operating loss carryforwards were 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 the forecast of future taxable income.

The reconciliations between the statutory effective tax rates and the effective tax rates for the years ended March 31, 2023 was as follows:

	2023	2022
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Russia-related losses	17.2%	—%
Loss on valuation of investment in securities of foreign subsidiaries	11.8%	—%
Other	(0.4)%	3.8%
Effective tax rate after the application of tax-effect accounting	59.2%	34.4%

(Changes in presentation method)
"Increase of valuation allowance," "Expenses not deductible for tax purposes," and "Non-taxable income," which were previously presented separately in the fiscal year ended March 31, 2022, are included in "Other" for the fiscal year ended March 31, 2023 since the amount is insignificant. To reflect this change, reclassifications have been made to the note for the fiscal year ended March 31, 2022.

As a result, "Increase of valuation allowance" of 3.5%, "Expenses not deductible for tax purposes" of 0.5%, and "Non-taxable income" of negative 0.1% in the fiscal year ended March 31, 2022 have been reclassified to and presented as "Other" of 3.8%.

20. Asset retirement obligations

The balance of asset retirement obligations is not presented as the amounts for the years ended March 31, 2023 and 2022 were immaterial.

21. Retirement Benefit Plans

1. Overview of Retirement Benefit Plans Implemented by the Companies

The Company has a 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 established. The Company may also offer extra early retirement benefit to employees on their retirement.

Certain consolidated subsidiaries have a lump-sum retirement payment plan and a defined benefit pension (DB) plan as defined benefit plans, and a DC plan as a defined contribution plan. In addition, certain consolidated subsidiaries 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 consolidated subsidiaries adopt a simplified method for calculating retirement benefit obligations.

2. Defined Benefit Plans (excluding the simplified method)

The changes in the retirement benefit obligation during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	¥15,380	¥15,187	$115,175
Service cost	948	941	7,104
Interest cost	98	87	740
Actuarial gain and loss	(111)	(246)	(837)
Retirement benefits paid	(584)	(605)	(4,379)
Adjustment from the simplified method to the principle method	116	15	875
Balance at the end of the year	¥15,848	¥15,380	$118,678

The changes in plan assets during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	¥5,357	¥5,183	$40,122
Expected return on plan assets	96	91	723
Actuarial gain and loss	10	101	76
Contributions by the Company	154	149	1,154
Retirement benefits paid	(106)	(168)	(798)
Balance at the end of the year	¥5,512	¥5,357	$41,278

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2023 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligation	¥ 7,078	¥ 7,107	$ 53,008
Plan assets at fair value	(5,512)	(5,357)	(41,278)
	1,566	1,749	11,729
Unfunded retirement benefit obligation	8,769	8,273	65,670
Net liability for retirement benefits in the balance sheet	10,335	10,022	77,399
Liability for employees' retirement benefits	10,507	10,128	78,683
Assets for employees' retirement benefits	(171)	(106)	(1,283)
Net liability for retirement benefits in the balance sheet	¥10,335	¥10,022	$ 77,399

The components of retirement benefit expense for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 948	¥ 941	$7,104
Interest cost	98	87	740
Expected return on plan assets	(96)	(91)	(723)
Amortization of actuarial gain and loss	22	52	166
Amortization of prior service cost	74	74	555
Retirement benefit expense	¥1,047	¥1,064	$7,842

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost	¥ 74	¥ 74	$ 555
Actuarial gain and loss	131	402	986
Total	¥205	¥477	$1,542

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service cost	¥ (24)	¥ 49	$ (183)
Unrecognized actuarial gain and loss	(211)	(84)	(1,586)
Total	¥(236)	¥(34)	$(1,770)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2023 and 2022 were as follows:

	2023	2022
General accounts	**25%**	25%
Debt investments	**43%**	44%
Equity investments	**22%**	23%
Others	**10%**	8%
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:

		2023	2022
Discount rates	Mainly	**0.0%–0.8%**	0.0%–0.8%
Expected rates of return on plan assets	Mainly	**0.87%–2.5%**	0.87%–2.5%
Estimated rates of salary increases	Mainly	**1.0%–7.6%**	1.0%–7.6%

3. Defined Benefit Plans (The simplified method)

The changes in liability for retirement benefits during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	**¥1,902**	¥1,846	**$14,248**
Retirement benefits expense	**270**	311	**2,027**
Retirement benefits paid	**(265)**	(239)	**(1,991)**
Adjustment from the simplified method to the principle method	**(116)**	(15)	**(875)**
Balance at the end of the year	**¥1,790**	¥1,902	**$13,409**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2023 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligation	**¥ 469**	¥ 339	**$ 3,519**
Plan assets at fair value	**(26)**	(124)	**(200)**
Subtotal	**443**	214	**3,318**
Unfunded retirement benefit obligation	**1,347**	1,687	**10,090**
Net liability for retirement benefits in the balance sheet	**1,790**	1,902	**13,409**
Liability for retirement benefits	**1,796**	1,905	**13,451**
Asset for retirement benefits	**(5)**	(2)	**(42)**
Net liability for retirement benefits in the balance sheet	**¥1,790**	¥1,902	**$13,409**

Net periodic retirement benefit costs for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net periodic retirement benefit costs	**¥270**	¥311	**$2,027**

4. Defined Contribution Plans

Contributions to the defined contribution pension plan by the Company and its consolidated subsidiaries during the years ended March 31, 2023 and 2022 were ¥1,655 million ($12,395 thousand) and ¥1,373 million, respectively.

Contribution of the amount equivalent to the risk-based premium has ended in the fiscal year ended March 31, 2022.

22. Lease Transactions

(Lessees' accounting)

The Companies lease equipment under finance leases that do not transfer ownership of the leased property to the lessee. 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due within 1 year	**¥2,506**	¥2,766	**$18,766**
Due after 1 year	**6,822**	7,149	**51,088**
Total	**¥9,328**	¥9,915	**$69,854**

(Lessors' accounting)

Finance leases that do not transfer ownership to lessee are capitalized as investment in leases. The components of investment in leases as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Future lease receivables	**¥1,406,876**	¥1,422,657	**$10,535,243**
Estimated residual value	**67,748**	62,616	**507,329**
Less : Future interest income	**(97,684)**	(91,775)	**(731,496)**
Total	**¥1,376,941**	¥1,393,499	**$10,311,076**

The aggregate annual maturity of finance lease receivables that transfer ownership to lessees, subsequent to March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due within 1 year	**¥ 66,934**	¥ 67,485	**$ 501,231**
Due after 1 to 2 years	**47,950**	50,472	**359,075**
Due after 2 to 3 years	**34,865**	31,560	**261,088**
Due after 3 to 4 years	**22,061**	20,597	**165,205**
Due after 4 to 5 years	**12,483**	11,053	**93,483**
Due after 5 years	**21,599**	15,917	**161,744**
Total	**¥205,895**	¥197,085	**$1,541,829**

The aggregate annual maturity of finance lease receivables that do not transfer ownership to lessees, subsequent to March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due within 1 year	**¥ 375,605**	¥ 361,903	**$ 2,812,678**
Due after 1 to 2 years	**365,846**	377,883	**2,739,604**
Due after 2 to 3 years	**259,187**	266,497	**1,940,900**
Due after 3 to 4 years	**164,103**	170,956	**1,228,868**
Due after 4 to 5 years	**101,362**	98,785	**759,044**
Due after 5 years	**140,770**	146,631	**1,054,146**
Total	**¥1,406,876**	¥1,422,657	**$10,535,243**

The future minimum lease income subsequent to March 31, 2023 and 2022 under non-cancellable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due within 1 year	**¥ 285,587**	¥ 250,611	**$2,138,591**
Due after 1 year	**954,359**	875,780	**7,146,619**
Total	**¥1,239,947**	¥1,126,391	**$9,285,210**

(Sublease)

Investment in leases and obligations under sublease transactions that include interests on the consolidated balance sheet as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Investment in leases	**¥23,424**	¥15,275	**$175,415**
Lease obligations	**23,445**	15,292	**175,568**

23. Commitments and Contingent Liabilities

The Companies' contingent liabilities as of March 31, 2023 and 2022 were as follows:
(Guarantee as business transactions)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Business guarantee (including guarantee reservation)	**¥155,687**	¥165,467	**$1,165,845**
Asset purchases (including guarantee reservation)	**4,691**	4,867	**35,130**
Total	**¥160,378**	¥170,334	**$1,200,975**

(Guarantee on affiliates' loans from financial institution)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
IHI Investment for Aero Engine Leasing LLC	**¥ 6,436**	¥3,676	**$48,195**
ITOCHU TC Construction Machinery Co., Ltd.	**3,750**	3,500	**28,081**
Hyuga Biomass Power Co., Ltd.	**997**	772	**7,469**
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.	**155**	—	**1,161**
Other	**89**	108	**666**
Total	**¥11,427**	¥8,057	**$85,575**

(Guarantee on employees' loans)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Employees (housing funds)	**¥11**	¥22	**$86**

The Companies, as lenders, have loan commitment agreements as of March 31, 2023 and 2022 amounting to ¥28,506 million ($213,467 thousand) and ¥27,686 million, respectively. The loans provided under these credit facilities as of March 31, 2023 and 2022 amounted to ¥20,290 million ($151,944 thousand) and ¥19,253 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.

24. 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 paper 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) Description of financial instruments and related risks

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, bonds and others. 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 n) Derivatives and hedging activities.

(3) Risk management for financial instruments

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 risk through fact recognition and analysis of changes in the counterparties, economic conditions and the management environment. This credit risk 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

Derivative transactions are entered into based on internal rules.

(v) Quantitative information of market risk

The Companies have financial instruments exposed to interest rate fluctuation risk, a major risk variable, which are composed mainly of financial assets such as accounts receivable - installment sales, lease receivables, investment in leases, loans and operational investment securities ; financial liabilities such as short-term borrowings, commercial paper, 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, 2023, 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 ¥4,426 million ($33,150 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

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, 2023 and 2022. Notes on cash on hand are omitted. Notes on cash in banks, notes and accounts payable - trade, short-term borrowings, commercial paper, and payables under fluidity lease receivables are also omitted, as these items are settled in a short period of time, and the carrying value approximates fair value.

	Millions of yen		
	As of March 31, 2023		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Accounts receivable-installment sales	¥ 161,678		
Deferred profit on installment sales	(14,173)		
Subtotal	147,504		
Allowance for doubtful accounts (*1)	(690)		
Subtotal	146,813	155,581	8,768
(2) Accounts receivable-lease receivables and investment in leases	1,565,153		
Estimated residual value (*2)	(67,748)		
Subtotal	1,497,404		
Allowance for doubtful accounts (*1)	(3,923)		
Subtotal	1,493,480	1,569,340	75,860
(3) Accounts receivable-loans	450,576		
Allowance for doubtful accounts (*1)	(2,164)		
Subtotal	448,412	470,210	21,798
(4) Operational investment securities	100,939	100,939	–
(5) Short-term investment securities and investments in securities (*4)	32,098	32,684	585
(6) Claims provable in bankruptcy or rehabilitation	10,432		
Allowance for doubtful accounts (*1)	(7,533)		
Subtotal	2,899	2,899	–
Total assets	¥2,224,643	¥2,331,655	¥107,012
Liabilities			
(1) Bonds	1,052,654	950,392	102,261
(2) Long-term loans, principally from banks	2,805,842	2,802,448	3,394
(3) Long-term payables under securitized lease receivables	8,800	8,738	61
(4) Lease obligations	28,704	28,243	461
Total liabilities	¥3,896,001	¥3,789,822	¥106,178
Derivatives			
Hedge accounting not applied	¥ (2,762)	¥ (2,762)	¥ –
Hedge accounting applied	11,750	11,508	(242)
Total derivatives	¥ 8,987	¥ 8,745	¥ (242)

(*1) General and specific allowances are deducted from the amounts of accounts receivable-installment sales, accounts receivable-lease receivables and investment in leases, accounts receivable-loans and claims provable in bankruptcy or rehabilitation, respectively.
(*2) Estimated residual value included in lease investment in leases is deducted.
(*3) The amount of investments in securities without market price, etc. and investments in limited partnerships, etc. , which is recorded on the Consolidated Balance Sheet, is as follows. The below financial instruments are not included in (4) Operational investment securities and (5) Short-term investment securities and investments in securities.

	Millions of yen	Thousands of U.S. dollars
	2023	2023
Investments in securities without market price, etc.	¥305,125	$2,284,896
Investments in limited partnerships, etc.	213,925	1,601,954
Total	¥519,050	$3,886,851

Shares, etc. without market prices include unlisted shares and other instruments, and are not subject to the disclosure of fair value, in accordance with Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020).

Investments in limited partnerships, etc. mainly comprise Tokumei-Kumiai, investment partnerships and other entities with similar characteristics. These are not subject to the disclosure of fair value, in accordance with Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(*4) Operational investment securities include investment trusts for which the Company has applied fair value treatment regarding their net asset values as stipulated in Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).
(*5) 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.
(*6) The value of assets and liabilities arising from derivatives is shown at net value in the above table, with the amount in parentheses representing net liability position. Please refer to Note 13 Derivatives regarding the details of derivative transactions.

	Millions of yen		
	As of March 31, 2022		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Accounts receivable-installment sales	¥ 153,939		
Deferred profit on installment sales	(12,191)		
Subtotal	141,748		
Allowance for doubtful accounts (*1)	(588)		
Subtotal	141,159	148,570	7,410
(2) Accounts receivable-lease receivables and investment in leases	1,575,049		
Estimated residual value (*2)	(62,616)		
Subtotal	1,512,432		
Allowance for doubtful accounts (*1)	(4,568)		
Subtotal	1,507,863	1,572,449	64,585
(3) Accounts receivable-loans	407,370		
Allowance for doubtful accounts (*1)	(2,299)		
Subtotal	405,071	417,293	12,222
(4) Operational investment securities	118,508	118,508	—
(5) Short-term investment securities and investments in securities (*4)	33,181	33,782	601
(6) Claims provable in bankruptcy or rehabilitation	17,045		
Allowance for doubtful accounts (*1)	(10,284)		
Subtotal	6,761	6,761	—
Total assets	¥2,212,545	¥2,297,366	¥84,820
Liabilities			
(1) Bonds	1,000,083	1,016,069	(15,986)
(2) Long-term loans, principally from banks	2,592,182	2,571,869	20,313
(3) Long-term payables under securitized lease receivables	142	140	1
(4) Lease obligations	17,777	17,526	250
Total liabilities	¥3,610,186	¥3,605,607	¥ 4,579
Derivatives			
Hedge accounting not applied	¥ (617)	¥ (617)	¥ —
Hedge accounting applied	7,093	6,987	(106)
Total derivatives	¥ 6,476	¥ 6,370	¥ (106)

(*1) General and specific allowances are deducted from the amounts of accounts receivable-installment sales, accounts receivable-lease receivables and investment in leases, accounts receivable-loans and claims provable in bankruptcy or rehabilitation, respectively.
(*2) Estimated residual value included in lease investment in leases is deducted.
(*3) Because no quoted market price is available and it is extremely difficult to determine the fair value, the below financial instruments are not included in (4) Operational investment securities and (5) Short-term investment securities and investments in securities.

	Millions of yen
	2022
Investments in securities without market price, etc.	¥263,701
Investments in limited partnerships, etc.	172,055
Total	¥435,756

(*4) The 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.
(*5) 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 13 Derivatives* regarding the details of derivative transactions.

	Thousands of U.S. dollars		
	As of March 31, 2023		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Accounts receivable-installment sales	$ 1,210,710		
Deferred profit on installment sales	(106,139)		
Subtotal	1,104,571		
Allowance for doubtful accounts (*1)	(5,172)		
Subtotal	1,099,398	1,165,058	65,659
(2) Accounts receivable-lease receivables and investment in leases	11,720,481		
Estimated residual value (*2)	(507,329)		
Subtotal	11,213,152		
Allowance for doubtful accounts (*1)	(29,384)		
Subtotal	11,183,768	11,751,841	568,072
(3) Accounts receivable-loans	3,374,093		
Allowance for doubtful accounts (*1)	(16,208)		
Subtotal	3,357,885	3,521,118	163,232
(4) Operational investment securities	755,875	755,875	—
(5) Short-term investment securities and investments in securities (*4)	240,366	244,751	4,384
(6) Claims provable in bankruptcy or rehabilitation	78,126		
Allowance for doubtful accounts (*1)	(56,416)		
Subtotal	21,709	21,709	—
Total assets	$16,659,003	$17,460,353	$801,349
Liabilities			
(1) Bonds	7,882,689	7,116,913	765,775
(2) Long-term loans, principally from banks	21,011,248	20,985,832	25,416
(3) Long-term payables under securitized lease receivables	65,897	65,435	462
(4) Lease obligations	214,951	211,498	3,452
Total liabilities	$29,174,787	$28,379,679	$795,107
Derivatives			
Hedge accounting not applied	$ (20,687)	$ (20,687)	$ —
Hedge accounting applied	87,989	86,177	(1,812)
Total derivatives	$ 67,302	$ 65,490	$ (1,812)

(Note 1) Redemption schedule for receivables and securities with maturities subsequent to March 31, 2023 and 2022 respectively

	Millions of yen					
	As of March 31, 2023					
	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 and cash equivalents	¥201,280	¥ —	¥ —	¥ —	¥ —	¥ —
Time deposits other than cash equivalents	15,156	—	—	—	—	—
Accounts receivable-installment sales	51,289	40,475	28,562	19,310	13,730	8,310
Accounts receivable-loans	175,305	79,149	65,132	36,055	22,122	72,810
Operational investment securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	6,476	—	—	—	—
(2) Other	1,739	1,952	8,930	6,130	7,669	38,668
Short-term investment securities and investments in securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	—	—	—	—
(2) Other	300	—	—	—	—	5,970
Total	¥445,072	¥128,053	¥102,626	¥61,496	¥43,522	¥125,759

	Millions of yen					
	As of March 31, 2022					
	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 and cash equivalents	¥240,047	¥ —	¥ —	¥ —	¥ —	¥ —
Time deposits other than cash equivalents	753	—	—	—	—	—
Accounts receivable-installment sales	47,621	40,941	28,947	18,156	10,580	7,693
Accounts receivable-loans	175,825	68,284	59,026	39,722	16,300	48,211
Operational investment securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	5,678	—	—	—
(2) Other	7,220	6,849	2,714	3,370	6,482	42,163
Short-term investment securities and investments in securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	—	—	—	—
(2) Other	450	—	—	—	—	26
Total	¥471,918	¥116,075	¥96,367	¥61,249	¥33,362	¥98,093

	Thousands of U.S. dollars					
	As of March 31, 2023					
	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 and cash equivalents	$1,507,270	$ —	$ —	$ —	$ —	$ —
Time deposits other than cash equivalents	113,498	—	—	—	—	—
Accounts receivable-installment sales	384,073	303,098	213,888	144,604	102,816	62,230
Accounts receivable-loans	1,312,759	592,701	487,739	269,999	165,662	545,231
Operational investment securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	48,497	—	—	—	—
(2) Other	13,028	14,618	66,876	45,908	57,430	289,568
Short-term investment securities and investments in securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	—	—	—	—
(2) Other	2,246	—	—	—	—	44,705
Total	$3,332,876	$958,916	$768,504	$460,511	$325,910	$941,735

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 in leases are disclosed in *Note 12 Short-Term Borrowings, Long-Term Debt and Assets Pledged and Note 22 Lease Transactions*, respectively.

(Note 2) Repayment schedule of bonds, long-term debt and other interest-bearing liabilities on March 31, 2023 and 2022 respectively

	Millions of yen					
	As of March 31, 2023					
	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
Short-term borrowings	¥ 278,054	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	352,307	—	—	—	—	—
Current portion of long-term payables under fluidity lease receivables	17,000	—	—	—	—	—
Bonds	144,199	195,764	139,561	230,452	110,226	232,450
Long-term debt	905,570	614,050	557,783	346,427	147,573	234,437
Long-term payables under fluidity lease receivables	2,490	2,460	2,400	1,345	105	—
Lease obligations	8,779	8,379	4,750	3,811	1,761	1,222
Total	¥1,708,400	¥820,654	¥704,495	¥582,036	¥259,666	¥468,109

	Millions of yen					
	As of March 31, 2022					
	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
Short-term borrowings	¥ 252,174	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	371,499	—	—	—	—	—
Current portion of long-term payables under fluidity lease receivables	31,300	—	—	—	—	—
Bonds	36,711	132,735	177,955	122,172	202,205	328,301
Long-term debt	745,752	739,892	475,893	244,232	210,877	175,534
Long-term payables under fluidity lease receivables	142	—	—	—	—	—
Lease obligations	5,763	4,379	3,466	2,338	1,524	304
Total	¥1,443,345	¥877,008	¥657,315	¥368,744	¥414,606	¥504,140

	Thousands of U.S. dollars					
	As of March 31, 2023					
	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
Short-term borrowings	$ 2,082,184	$ —	$ —	$ —	$ —	$ —
Commercial paper	2,638,216	—	—	—	—	—
Current portion of long-term payables under fluidity lease receivables	127,302	—	—	—	—	—
Bonds	1,079,821	1,465,963	1,045,090	1,725,719	825,417	1,740,676
Long-term debt	6,781,265	4,598,249	4,176,902	2,594,182	1,105,091	1,755,556
Long-term payables under fluidity lease receivables	18,646	18,421	17,972	10,071	786	—
Lease obligations	65,740	62,749	35,572	28,542	13,189	9,155
Total	$12,793,177	$6,145,384	$5,275,538	$4,358,515	$1,944,485	$3,505,389

Matters concerning the breakdown of financial instruments by fair value level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 Fair value measured using observable inputs other than Level 1 inputs.

Level 3 Fair value measured using significant unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

The following table presents the estimated fair value of financial instruments which are booked on the consolidated balance sheets as of March 31, 2023 and 2022 respectively.

	Millions of yen			
	As of March 31, 2023			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
Operational investment Securities:				
Available-for-sale securities				
Equity securities	¥34,526	¥ —	¥ —	¥ 34,526
Bonds	—	—	6,476	6,476
Others (Note 1)	22,809	—	10,929	33,739
Short-term investment securities and investments in securities				
Available-for-sale securities				
Equity securities	29,745	621	—	30,366
Bonds	—	—	928	928
Others	—	300	—	300
Total assets	¥87,081	¥ 921	¥18,335	¥106,338
Derivative transaction (Note 3)				
Currency swap	¥ —	¥5,103	¥ —	¥ 5,103
Interest rate swap	—	3,642	—	3,642
Total derivative transactions	¥ —	¥8,745	¥ —	¥ 8,745

	Millions of yen			
	As of March 31, 2022			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
Operational investment				
Securities:				
Available-for-sale securities	¥52,860	¥ —	¥ —	¥ 52,860
Equity securities	—	—	5,942	5,942
Bonds	—	—	13,693	13,693
Others (Note 2)				
Short-term investment securities and investments in securities				
Available-for-sale securities				
Equity securities	32,155	99	—	32,254
Others	—	450	—	450
Total assets	¥85,015	¥ 549	¥19,636	¥105,201
Derivative transaction (Note 3)				
Currency swap	¥ —	¥7,090	¥ —	¥ 7,090
Interest rate swap	—	(719)	—	(719)
Total derivative transactions	¥ —	¥6,370	¥ —	¥ 6,370

	Thousands of U.S. dollars			
	As of March 31, 2023			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
Operational investment Securities:				
Available-for-sale securities				
Equity securities	$258,547	$ —	$ —	$258,547
Bonds	—	—	48,497	48,497
Others (Note 1)	170,810	—	81,847	252,657
Short-term investment securities and investments in securities				
Available-for-sale securities				
Equity securities	222,744	4,655	—	227,399
Bonds	—	—	6,955	6,955
Others	—	2,246	—	2,246
Total assets	$652,102	$ 6,901	$137,300	$796,304
Derivative transaction (Note 3)				
Currency swap	$ —	$38,213	$ —	$ 38,213
Interest rate swap	—	27,276	—	27,276
Total derivative transactions	$ —	$65,490	$ —	$ 65,490

(Note 1) Investment trusts for which the Company has applied the transitional measures prescribed in Paragraph 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) have not been included in the table above. The value of these investment trusts carried on the consolidated balance sheet is ¥26,196 million ($196,172thousand).

A reconciliation of the beginning balance to the ending balance of investment funds that applied the treatment of regarding Net asset value as fair value is as follows.

Millions of yen							
As of March 31, 2023							
	Profit (loss) of current fiscal year or other comprehensive income (loss)						
Beginning balance	Recorded on profit	Recorded on other comprehensive income (Note 4)	Net amount of purchase, proceed and redemption	The amount by which the NAV of the investment fund is deemed to be the market value	The amount by which the NAV of the investment fund is not deemed to be the market value	Ending balance	Amounts recognized in profit or loss for the period, net of unrealized gains or losses on financial assets and liabilities held at the balance sheet date.
¥19,928	¥—	¥1,024	¥5,244	¥—	¥—	¥26,196	¥—

Thousands of U.S. dollars							
As of March 31, 2023							
$149,234	$—	$7,668	$39,269	$—	$—	$196,172	$—

(Note 2) Investment trusts for which the Company has applied the transitional measures prescribed in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) have not been included in the table above. The value of these investment trusts carried on the consolidated balance sheet is ¥46,011 million.

(Note 3) 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.

(Note 4) The amount is included in unrealized gain (loss) on available-for-sale securities in other comprehensive income of Consolidated Statement of Comprehensive Income.

The following table presents the estimated fair value of financial instruments which are not booked on the consolidated balance sheet as of March 31, 2023 and 2022 respectively.

	Millions of yen			
	As of March 31, 2023			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable of installment sales	¥ —	¥ —	¥ 155,581	¥ 155,581
Lease receivables and investment in leases	—	—	1,569,340	1,569,340
Loans	—	—	470,210	470,210
Securities and investments in securities:				
Investments in affiliates	1,088	—	—	1,088
Claims provable in bankruptcy or rehabilitation	—	—	2,899	2,899
Total assets	¥1,088	¥ —	¥2,198,031	¥2,199,120
Bonds	¥ —	¥ 950,392	¥ —	¥ 950,392
Long-term debt	—	2,802,448	—	2,802,448
Long-term payables under fluidity lease receivables	—	8,738	—	8,738
Lease obligations	—	28,243	—	28,243
Total liabilities	¥ —	¥3,789,822	¥ —	¥3,789,822

	Millions of yen			
	As of March 31, 2022			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable of installment sales	¥ —	¥ —	¥ 148,570	¥ 148,570
Lease receivables and investment in leases	—	—	1,572,449	1,572,449
Loans	—	—	417,293	417,293
Securities and investments in securities:				
Investments in affiliates	1,077	—	—	1,077
Claims provable in bankruptcy or rehabilitation	—	—	6,761	6,761
Total assets	¥1,077	¥ —	¥2,145,075	¥2,146,153
Bonds	¥ —	¥1,016,069	¥ —	¥1,016,069
Long-term debt	—	2,571,869	—	2,571,869
Long-term payables under fluidity lease receivables	—	140	—	140
Lease obligations	—	17,526	—	17,526
Total liabilities	¥ —	¥3,605,607	¥ —	¥3,605,607

	Thousands of U.S. dollars			
	As of March 31, 2023			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
Accounts receivable of installment sales	$ —	$ —	$ 1,165,058	$ 1,165,058
Lease receivables and investment in leases	—	—	11,751,841	11,751,841
Loans	—	—	3,521,118	3,521,118
Securities and investments in securities:				
Investments in affiliates	8,149	—	—	8,149
Claims provable in bankruptcy or rehabilitation	—	—	21,709	21,709
Total assets	$8,149	$ —	$16,459,726	$16,467,875
Bonds	$ —	$ 7,116,913	$ —	$ 7,116,913
Long-term debt	—	20,985,832	—	20,985,832
Long-term payables under fluidity lease receivables	—	65,435	—	65,435
Lease obligations	—	211,498	—	211,498
Total liabilities	$ —	$28,379,679	$ —	$28,379,679

(Note 1) A description of the valuation techniques and inputs used in the fair value measurements

Operational investment securities, Investments in securities

Items for which quoted market prices in an active market are available are classified as Level 1. If a publicly available quoted market price is available but the market is not active, it is classified as Level 2.

The fair value of privately placed bonds and similar securities is measured at the estimated future value of cash flows, discounted at a rate based on market interest rates and incorporating risk factors such as credit risk. It is classified as Level 3, as inputs such as the discount rate are unobservable.

Derivatives

Fair value is measured as the discounted present value of future cash flows, using inputs such as interest rates and foreign exchange rates, based on prices, etc. provided by counterparty financial institutions. Derivatives are classified as Level 2.

Accounts receivable - installment sales, Lease receivables and investment assets, Loans

Based on the classification by internal rating and contract terms, the fair value is measured at the total of principal and interest, discounted at a rate based on market interest rates and incorporating risk factors such as credit risk. It is classified as Level 3, as inputs such as the discount rate are unobservable.

Claims provable in bankruptcy or rehabilitation

The carrying value of claims provable in bankruptcy or rehabilitation after the deduction of relevant allowances approximates fair value because carrying value is based on the fair value of the collateral and guarantees. This amount is therefore classified as Level 3.

Bonds payable, Long-term debt, Long-term payables under fluidity lease receivables

Fair value is mainly measured at 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, and is classified as Level 2.

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, and is classified as Level 2.

(Note 2) Information about Level 3 of financial instruments measured at fair value

a) Quantitative information of significant unobservable input as of March 31, 2023 and 2022

Fiscal year	Classification	Valuation method	Significant unobservable input	Input range	Weighted average of input
As of March 31, 2023	Operational investment securities, Available-for-sale securities and private placement bonds etc.	Discounted cash flow method	**Discount rate**	**2.79%-6.76%**	**4.34%**
As of March 31, 2022	Operational investment securities, Available-for-sale securities and private placement bonds etc.	Discounted cash flow method	**Discount rate**	**2.79%-4.89%**	**3.49%**

b) A reconciliation from the beginning balances to the ending balances and gains or losses on valuation of financial instruments held at the end of the reporting period included in profit or loss for the period

Millions of yen

	As of March 31, 2023						
		Profit (loss) of current fiscal year or other comprehensive income (loss)					
	Beginning balance	Recorded on profit (loss)	Recorded on other comprehensive income(loss)	Net amount of purchase, proceed, issuance and settlement	Transferred amount to level 3	Transferred amount from level 3	Ending balance
Operational investment securities and Available-for-sale securities							
Bonds	**¥ 5,942**	**¥—**	**¥533**	**¥ —**	**¥—**	**¥—**	**¥ 6,476**
Others	**13,693**	**—**	**(24)**	**(2,739)**	**—**	**—**	**10,929**
Short-term investment securities and investments in securities							
Available-for-sale securities							
Others	**—**	**—**	**—**	**928**	**—**	**—**	**928**
Total	**¥19,636**	**¥—**	**¥509**	**¥(1,810)**	**¥—**	**¥—**	**¥18,335**

	Millions of yen						
	As of March 31, 2022						
		Profit (loss) of current fiscal year or other comprehensive income (loss)					
	Beginning balance	Recorded on profit (loss)	Recorded on other comprehensive income(loss) (Note 1)	Net amount of purchase, proceed, issuance and settlement	Transferred amount to level 3	Transferred amount from level 3	Ending balance
Operational investment securities and Available-for-sale securities							
Bonds	¥ —	¥—	¥253	¥ 5,689	¥—	¥—	¥ 5,942
Others	16,543	—	147	(2,997)	—	—	13,693
Total	¥16,543	¥—	¥400	¥ 2,692	¥—	¥—	¥19,636

	Thousands of U.S. dollars						
	As of March 31, 2023						
		Profit (loss) of current fiscal year or other comprehensive income (loss)					
	Beginning balance	Recorded on profit (loss)	Recorded on other comprehensive income(loss)	Net amount of purchase, proceed, issuance and settlement	Transferred amount to level 3	Transferred amount from level 3	Ending balance
Operational investment securities and Available-for-sale securities							
Bonds	**$ 44,501**	**$—**	**$3,995**	**$ —**	**$—**	**$—**	**$ 48,497**
Others	**102,543**	**—**	**(183)**	**(20,512)**	**—**	**—**	**81,847**
Short-term investment securities and investments in securities							
Available-for-sale securities							
Others	**—**	**—**	**—**	**6,955**	**—**	**—**	**6,955**
Total	**$147,045**	**$—**	**$3,812**	**$(13,556)**	**$—**	**$—**	**$137,300**

(Note 1) The amount is included in the Other Comprehensive Income of Consolidated Statement of Comprehensive Income

c) A description of valuation processes used for fair value measurements

The divisions responsible measure fair value in accordance with accounting policies, etc. on the measurement of fair value. The Company verifies the appropriateness of the valuation techniques and inputs used to measure fair value, and its classification into the respective level of the fair value hierarchy.

An appropriate valuation model is used to measure fair value, which reflects the nature, characteristics and risk of each asset.

d) A narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

Discount rate

The discount rate represents the market interest rate after certain adjustments. It consists mainly of the risk premium demanded by market participants as consideration for the uncertainty of cash flow from financial instruments due to credit risk.

In general, a significant rise (fall) in the discount rate will result in a significant decrease (increase) in fair value.

25. Dividends

(1) Dividends paid to shareholders

For the year ended March 31, 2023

(Date of approval) Resolution approved by	Type of shares	Amount Millions of yen Thousands of U.S. dollars	Dividends per share Yen U.S. dollars	Shareholders' cut-off date	Effective date
(June 27, 2022) Annual general meeting of the shareholders	Common stock	**¥8,798** **$65,886**	**¥72.0** **$0.53**	March 31, 2022	June 28, 2022
(November 7, 2022) Meeting of the Board of Directors	Common stock	**¥8,690** **$65,077**	**¥71.0** **$0.53**	September 30, 2022	December 6, 2022

For the year ended March 31, 2022

(Date of approval) Resolution approved by	Type of shares	Amount Millions of yen	Dividends per share Yen	Shareholders' cut-off date	Effective date
(June 28, 2021) Annual general meeting of the shareholders	Common stock	¥8,545	¥70.0	March 31, 2021	June 29, 2021
(November 8, 2021) Meeting of the Board of Directors	Common stock	¥8,676	¥71.0	September 30, 2021	December 7, 2021

(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 Millions of yen Thousands of U.S. dollars	Dividends per share Yen U.S. dollars	Shareholders' cut-off date	Effective date
(June 26, 2023) Annual general meeting of the shareholders	Common stock (Retained earnings)	**¥8,812** **$65,994**	**¥72.0** **$0.53**	March 31, 2023	June 27, 2023

26. Equity

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year. The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

27. Stock Based Compensation

The Company has stock option plans for certain directors, corporate auditors, 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, 2023 were as follows:

	2013 stock option	2014 stock option	2015 stock option	2016 stock option	2017 stock option	2018 stock option	2019 stock option	2020 stock option	2021 stock option	2022 stock option	2023 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	10 directors 22 executive officers 3 eligible employees 5 directors and executive officers of subsidiaries	8 directors 21 executive officers 8 eligible employees 3 directors and executive officers of subsidiaries	7 directors 19 executive officers 10 eligible employees 3 directors and executive officers of subsidiaries	7 directors 19 executive officers 11 eligible employees 5 directors and executive officers of subsidiaries
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	Common stock 140,000	Common stock 91,200	Common stock 76,500	Common stock 90,300
Grant date	October 15, 2012	September 24, 2013	September 29, 2014	October 26, 2015	September 21, 2016	September 27, 2017	August 21, 2018	September 26, 2019	August 24, 2020	August 24, 2021	August 23, 2022
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)	¥4,855 ($44.61)	¥5,193 ($46.90)	¥5,331 ($43.55)	¥4,418 ($33.08)

The total stock-based compensation costs recognized for the years ended March 31, 2023 and 2022 were ¥398 million ($2,987 thousand) and ¥407 million, respectively.

The fair value of the 2023 stock option is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table.

	2023 stock option
Expected volatility	39.88%
Estimated remaining outstanding period	4.4 years
Expected dividend	¥143 per share
Risk free interest rate	-0.02%

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 estimated remaining outstanding period is based on the average term and average age as of retirement. The expected dividend is based on the forecast of dividends of ¥143 ($1.16) made for the year ended March 31, 2023 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 estimated remaining outstanding period.

The stock option activity for the fiscal years ended March 31, 2023 was as follows:

	Number of shares										
Stock option activity	2013 stock option	2014 stock option	2015 stock option	2016 stock option	2017 stock option	2018 stock option	2019 stock option	2020 stock option	2021 stock option	2022 stock option	2023 stock option
Share subscription rights which are not yet vested											
Outstanding as of March 31, 2022	—	—	—	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—	—	—	90,300
Forfeited	—	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2023	—	—	—	—	—	—	—	—	—	—	90,300
Share subscription rights which have already been vested											
Outstanding as of March 31, 2022	48,900	27,700	36,000	36,000	43,800	43,200	70,900	107,700	75,500	76,500	—
Vested	—	—	—	—	—	—	—	—	—	—	—
Exercised	24,400	14,300	17,400	16,800	19,500	19,000	28,000	34,600	12,200	13,300	—
Forfeited	—	—	—	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2023	24,500	13,400	18,600	19,200	24,300	24,200	42,900	73,100	63,300	63,200	90,300
Exercise price (yen)	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
Weighted average exercise price (yen)	¥4,213	¥4,227	¥4,235	¥4,250	¥4,259	¥4,283	¥4,264	¥4,290	¥4,329	¥4,288	¥—
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	¥4,855	¥5,193	¥5,331	¥4,418
Exercise price (U.S. dollars)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Weighted average exercise price (U.S. dollars)	$31.54	$31.65	$31.71	$31.82	$32.00	$32.07	$31.93	$32.12	$32.41	$32.11	$—
Weighted average fair value per stock at the grant date (U.S. dollars)	$9.77	$22.74	$20.33	$28.49	$25.50	$34.19	$40.20	$36.35	$38.88	$39.92	$33.08

28. Investment and Rental Properties

The Company and certain consolidated subsidiaries own rental properties, such as commercial facilities and office buildings, in Tokyo and other areas. The net operating income relating to these properties was ¥11,213 million ($83,968 thousand) and ¥14,188 million for the years ended March 31, 2023 and 2022, 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, 2023 and 2022 were as follows:

Millions of yen			
Year ended March 31, 2023			
Carrying Value			Fair Value
Beginning of year	Net change	End of year	End of year
¥236,859	**¥12,232**	**¥249,092**	**¥262,827**

Millions of yen			
Year ended March 31, 2022			
Carrying Value			Fair Value
Beginning of year	Net change	End of year	End of year
¥243,704	¥(6,844)	¥236,859	¥249,456

Thousands of U.S. dollars

Year ended March 31, 2023			
Carrying Value			Fair Value
Beginning of year	Net change	End of year	End of year
$1,773,698	$91,601	$1,865,300	$1,968,152

Notes:
1. The carrying value represents the acquisition cost less accumulated depreciation.
2. The components of net change in carrying value include an increase mainly due to the purchase of real estate in the amount of ¥54,001 million ($404,385 thousands) and ¥28,399 million, a decrease mainly due to the sales of real estate in the amount of ¥28,027 million ($209,879 thousands) and ¥30,505 million and change in the purpose of ownership in the amount of ¥9,600 million ($71,895 thousand) and ¥ - million for the year ended March 31, 2023 and 2022.
3. 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.

29. Segment Information

1. Overview of Reportable Segments

The Company's reportable segments are defined as those organizational units whose financial information is individually available, and subject to regular review by the Board of Directors for the purpose of determining how to allocate its managerial resources and evaluating its business performance.

The Company is mainly engaged in the equipment leasing business, and the mobility and fleet management business, and the specialty financing business, as well as international business activities relating to these main businesses. Therefore, the "Leasing and Equipment Business", the "Mobility & Fleet Management Business", the "Specialty Financing Business", and the "International Business" constitute the Company's reportable segments.

(1) Leasing and Equipment

- Leasing, finance (money-lending and investment) including ancillary services and other businesses relating to the handling of information and communications equipment, office equipment, industrial machinery, transportation equipment and equipment for commercial and service industries

(2) Mobility & Fleet Management

- Automobile leasing for corporate customers and individuals, car rental and car sharing businesses, etc.

(3) Specialty Financing

- Leasing, finance (money-lending and investment) including ancillary services and other businesses focusing on product fields such as shipping, aviation, real estate, and the environment and energy, in Japan and overseas

(4) International

- Leasing, finance (money-lending and investment) including ancillary services and fleet services businesses, etc. mainly in East Asia, ASEAN, North, Central and South America

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.

Income of reportable segments is based on ordinary income. Intersegment revenues and transfers are based on prevailing market prices.

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

Millions of yen

	Year ended March 31, 2023								
	Reportable Segments								
	Equipment Leasing	Mobility & Fleet management	Specialty Financing	International	Total of Reportable Segments	Others (Note 1) (Note 2)	Subtotal	Adjustments (Note 3)	Total after adjustments
Revenues, profits and assets by reportable segments									
Revenues from customers (Note 4)	¥ 481,467	¥353,515	¥ 344,103	¥144,883	¥1,323,969	¥ 993	¥1,324,962	¥ –	¥1,324,962
Inter-segment revenues	359	915	164	82	1,521	348	1,870	(1,870)	–
Total revenues	481,826	354,430	344,267	144,966	1,325,491	1,342	1,326,833	(1,870)	1,324,962
Segment profit	¥31,740	¥ 27,977	¥ 57,398	¥ (948)	¥ 116,167	¥ 4,669	¥ 120,837	¥(14,642)	¥ 106,194
Segment assets	¥1,312,037	¥611,558	¥2,743,531	¥655,683	¥5,322,811	¥40,964	¥5,363,776	¥718,338	¥6,082,114
Other items									
Depreciation and amortization	¥ 17,351	¥ 68,934	¥ 89,422	¥ 47,175	¥ 222,883	¥ 3	¥ 222,886	¥ 767	¥ 223,654
Amortization of goodwill	¥ 4	¥658	¥ 2,420	¥ 930	¥ 4,014	¥ –	¥4,014	¥ –	¥ 4,014
Equity in earnings (losses) of affiliates	¥ 7,831	¥ –	¥ 5,589	¥ 599	¥ 14,019	¥ 4,286	¥ 18,306	¥ –	¥ 18,306
Investment in affiliates	¥ 120,866	¥ 4	¥ 94,690	¥ 21,416	¥ 236,977	¥15,217	¥ 252,195	¥ –	¥ 252,195
Increase in property and equipment and intangible assets (Note 4)	¥ 11,284	¥ 81,220	¥ 255,906	¥ 76,681	¥ 425,093	¥ –	¥ 425,093	¥ 1,379	¥ 426,472

	Millions of yen								
	Year ended March 31, 2022								
	Reportable Segments								
	Equipment Leasing	Mobility & Fleet management	Specialty Financing	International	Total of Reportable Segments	Others (Note 1)	Subtotal	Adjustments (Note 3)	Total after adjustments
Revenues, profits and assets by reportable segments									
Revenues from customers (Note 4)	¥ 512,256	¥341,169	¥ 306,952	¥116,749	¥1,277,126	¥ 849	¥1,277,976	¥ –	¥1,277,976
Inter-segment revenues	435	928	155	65	1,585	186	1,772	(1,772)	–
Total revenues	512,691	342,098	307,108	116,814	1,278,712	1,036	1,279,748	(1,772)	1,277,976
Segment profit	¥ 33,939	¥ 19,227	¥ 29,498	¥ 18,987	¥ 101,653	¥ 351	¥ 102,004	¥(11,484)	¥ 90,519
Segment assets	¥1,379,734	¥611,769	¥2,311,842	¥557,055	¥4,860,402	¥18,999	¥4,879,401	¥784,386	¥5,663,787
Other items									
Depreciation and amortziation	¥ 18,504	¥ 68,357	¥ 75,537	¥ 35,921	¥ 198,320	¥ 3	¥ 198,323	¥ 696	¥ 199,020
Amortization of goodwill	¥ 4	¥ 678	¥ 2,106	¥ 729	¥ 3,519	¥ –	¥ 3,519	¥ –	¥ 3,519
Equity in earnings (losses) of affiliates	¥ 6,782	¥ –	¥ 3,578	¥ (729)	¥ 9,631	¥ –	¥ 9,631	¥ –	¥ 9,631
Investment in affiliates	¥ 113,273	¥ 4	¥ 31,049	¥ 21,997	¥ 166,324	¥ –	¥ 166,324	¥ –	¥ 166,324
Increase in property and equipment and intangible assets (Note 4)	¥ 9,597	¥ 71,687	¥ 219,495	¥ 58,995	¥ 359,775	¥ 1	¥ 359,777	¥ 539	¥ 360,316

	Thousands of U.S. dollars								
	Year ended March 31, 2023								
	Reportable Segments								
	Equipment Leasing	Mobility & Fleet management	Specialty Financing	International	Total of Reportable Segments	Others (Note 1) (Note 2)	Subtotal	Adjustments (Note 3)	Total after adjustments
Revenues, profits and assets by reportable segments									
Revenues from customers (Note 4)	$3,605,416	$2,647,264	$ 2,576,780	$1,084,943	$ 9,914,404	$ 7,438	$ 9,921,843	$ –	$ 9,921,843
Inter-segment revenues	2,689	6,852	1,231	621	11,395	2,612	14,007	(14,007)	–
Total revenues	3,608,105	2,654,117	2,578,011	1,085,564	9,925,799	10,051	9,935,850	(14,007)	9,921,843
Segment profit	$ 237,686	$ 209,505	$ 429,822	$ (7,104)	$ 869,909	$ 34,970	$ 904,879	$ (109,651)	$ 795,228
Segment assets	$9,825,054	$4,579,588	$20,544,643	$4,910,016	$39,859,301	$306,761	$40,166,063	$5,379,199	$45,545,263
Other items									
Depreciation and amortization	$ 129,937	$ 516,208	$ 669,629	$ 353,265	$ 1,669,040	$ 23	$ 1,669,064	$ 5,744	$ 1,674,809
Amortization of goodwill	$ 35	$ 4,931	$ 18,123	$ 6,969	$ 30,059	$ –	$ 30,059	$ –	$ 30,059
Equity in earnings (losses) of affiliates	$ 58,643	$ –	$ 41,855	$ 4,488	$ 104,987	$ 32,102	$ 137,089	$ –	$ 137,089
Investment in affiliates	$ 905,099	$ 29	$ 709,077	$ 160,377	$ 1,774,583	$113,951	$ 1,888,535	$ –	$ 1,888,535
Increase in property and equipment and intangible assets (Note 4)	$ 84,506	$ 608,209	$ 1,916,332	$ 574,218	$ 3,183,265	$ –	$ 3,183,264	$ 10,329	$ 3,193,595

(Note 1) "Others" include casualty insurance agency business and business-processing services business, which are not included in any reportable segment.
(Note 2) Segment profit in 'Others' includes equity in earnings of unconsolidated subsidiaries and associated companies from the application of the equity method to BOT Lease Co., Ltd.
(Note 3) The details of Adjustments are as follows
(1) The adjustment to "Segment profit" mainly consists of general and administrative expenses, which are not attributed to reportable segments.
(2) The adjustment to "Segment assets" mainly consists of cash and cash equivalents, which are not attributed to reportable segments.
(3) The adjustment to "Depreciation and amortization" consists of an adjustment for depreciation and amortization of corporate assets.
(4) Adjustment to increase in property, plant and equipment and intangible assets consists of adjustment for corporate assets.
(Note 4) Revenues from contracts with customers included in revenues for the fiscal year ended March 31, 2023 for each of the reportable segments, i.e. Equipment Leasing, Mobility & Fleet Management, Specialty Financing and International Business, were ¥2,930 million ($21,947 thousand), ¥12,844 million ($96,184 thousand), ¥81,589 million ($610,974 thousand) and ¥9,237 million ($69,175 thousand), respectively.
(Note 5) "Increase in property and equipment and intangible assets" does not include increase from newly consolidated subsidiaries.

4. Reconciliation

As, set forth above, the measurement basis and the income and expense items of the internal management reporting system are different from the income before income taxes in consolidated statement of income.

A reconciliation of segment profit under the internal management reporting system for the fiscal years ended March 31, 2023 and 2022 above to income before income taxes shown in the consolidated statement of income is as follows:

	Years ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Segment profit	**¥106,194**	¥90,519	**$795,228**
Gain on sales of investments in securities	**4,934**	538	**36,953**
Russia-related losses	**(74,794)**	–	**(560,090)**
Other-net	**(736)**	(1,651)	**(5,513)**
Income before income taxes	**¥ 35,598**	¥89,407	**$266,578**

Information by products and services

	Millions of yen						
	March 31, 2023						
	Finance lease	Operating lease	Disposal of leased Property etc.	Installment sales	Finance	Other	Total
Revenues from customers	**¥491,295**	**¥382,678**	**¥255,870**	**¥29,614**	**¥58,162**	**¥107,340**	**¥1,324,962**

	Millions of yen						
	March 31, 2022						
	Finance lease	Operating lease	Disposal of leased Property etc.	Installment sales	Finance	Other	Total
Revenues from customers	¥491,894	¥333,347	¥290,583	¥35,576	¥56,734	¥69,839	¥1,277,976

	Thousands of U.S. dollars						
	March 31, 2023						
	Finance lease	Operating lease	Disposal of leased Property etc.	Installment sales	Finance	Other	Total
Revenues from customers	**$3,679,013**	**$2,865,649**	**$1,916,058**	**$221,764**	**$435,545**	**$803,811**	**$9,921,843**

(Note) Disposal of property etc. is composed of sales of disposal of leased property, cancellation fees, and maintenance fees.

Geographical information

(a) Revenues

Information by geographic segment is summarized as follows:

Millions of yen						
March 31, 2023						
	Europe and North America					
Japan	The U.S.	Ireland	Others	Asia	Central and South America	Total
¥1,007,395	**¥218,037**	**¥7,319**	**¥24,652**	**¥22,107**	**¥45,451**	**¥1,324,962**

(Notes) 1. Regions represent the location of the Company and its subsidiaries.
2. Major countries and areas which belong to segments other than Japan are as follows:
(1) Europe and North America: Ireland, The United States of America, The United Kingdom, Germany
(2) Asia: Singapore, Malaysia, Thailand, China, Philippines
(3) Central and South America: Panama, Mexico, Brazil

Millions of yen						
March 31, 2022						
	Europe and North America					
Japan	The U.S.	Ireland	Others	Asia	Central and South America	Total
¥1,011,397	¥173,009	¥8,171	¥17,984	¥28,792	¥38,620	¥1,277,976

(Notes) 1. Regions represent the location of the Company and its subsidiaries.
2. Major countries and areas which belong to segments other than Japan are as follows:
(1) Europe and North America: Ireland, The United States of America, The United Kingdom, Germany
(2) Asia: Singapore, Malaysia, Thailand, China, Philippines
(3) Central and South America: Panama, Mexico, Brazil

Thousands of U.S. dollars						
March 31, 2023						
	Europe and North America					
Japan	The U.S.	Ireland	Others	Asia	Central and South America	Total
$7,543,774	**$1,632,751**	**$54,807**	**$184,604**	**$165,546**	**$340,358**	**$9,921,843**

(b) Property and equipment

Information by geographic segment is summarized as follows:

Millions of yen						
March 31, 2023						
	Europe and North America					
Japan	The U.S.	Ireland	Others	Asia	Central and South America	Total
¥811,856	**¥1,586,572**	**¥62,712**	**¥17,772**	**¥29,716**	**¥46,203**	**¥2,554,833**

Millions of yen						
March 31, 2022						
	Europe and North America					
Japan	The U.S.	Ireland	Others	Asia	Central and South America	Total
¥786,653	¥1,325,300	¥70,639	¥14,289	¥25,619	¥44,850	¥2,267,353

Thousands of U.S. dollars						
March 31, 2023						
	Europe and North America					
Japan	The U.S.	Ireland	Others	Asia	Central and South America	Total
$6,079,499	**$11,880,876**	**$469,616**	**$133,085**	**$222,531**	**$345,987**	**$19,131,597**

Information by main customer

Information by main customer for the years ended March 31, 2023 and 2022 are not disclosed because there were no customers that accounted for 10% or more of the revenues from customers recorded in the consolidated statement of income.

Information about impairment losses on fixed assets by reportable segment

	Millions of yen				
	March 31, 2023				
	Equipment Leasing	Mobility &Fleet Management	Specialty Financing	International	Total
Impairment loss	**—**	**—**	**¥50,580**	**—**	**¥50,580**

	Millions of yen				
	March 31, 2022				
	Equipment Leasing	Mobility &Fleet Management	Specialty Financing	International	Total
Impairment loss	—	—	¥26,579	—	¥26,579

	Thousands of U.S. dollars				
	March 31, 2023				
	Equipment Leasing	Mobility &Fleet Management	Specialty Financing	International	Total
Impairment loss	**—**	**—**	**$378,763**	**—**	**$378,763**

For the years ended March 31, 2023 and 2022, impairment losses on aircraft assets were recognized.

Information about unamortized balance of goodwill.

	Millions of yen				
	March 31, 2023				
	Equipment Leasing	Mobility &Fleet Management	Specialty Financing	International	Total
Unamortized balance	**¥307**	**¥2,198**	**¥41,683**	**¥13,875**	**¥58,064**

	Millions of yen				
	March 31, 2022				
	Equipment Leasing	Mobility &Fleet Management	Specialty Financing	International	Total
Unamortized balance	¥80	¥2,857	¥37,877	¥12,492	¥53,308

	Thousands of U.S. dollars				
	March 31, 2023				
	Equipment Leasing	Mobility &Fleet Management	Specialty Financing	International	Total
Unamortized balance	**$2,299**	**$16,463**	**$312,143**	**$103,901**	**$434,807**

Amortization of goodwill by segment is disclosed above in 3. Information on Revenues, Profit or Loss, Assets, Liabilities and Other items by Reportable Segment.

Information about the gain recognized on negative goodwill by reportable segment
For the years ended March 31, 2023 and 2022, there was no gain recognized on negative goodwill.

30. Revenue Recognition

1. Disaggregation of revenue from contracts with customers

Information on the disaggregation of revenue from contracts with customers is stated in *Note 29 Segment Information* of the Notes to Consolidated Financial Statements.

2. Useful information in understanding revenue from contracts with customers

(1) Electricity sales contracts
The performance obligation under electricity sales contracts is to provide customers with power generated using generating equipment. Revenue is primarily recognized for the estimated amount of electricity sold by the fiscal year end. This revenue arises mainly from the company and subsidiaries in Specialty Financing.

(2) Car management service contracts
The Company considers that the performance obligation under car management service contracts is to provide customers with full access to vehicles at any time based on the contract terms. Revenue is recognized over the contract term in the amount stipulated in contracts with customers on a straight-line basis. This revenue arises primarily for subsidiaries in Mobility & Fleet Management.

(3) Real estate sales contracts
The performance obligation under real estate sales contracts is to deliver condominiums, detached houses, residential land, etc. to customers. Revenue is recognized when the relevant property is delivered. This revenue arises for subsidiaries in Specialty Financing.

3. Information on the reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue that is expected to be recognized after the next consolidated fiscal year from such contracts that exist at the end of the consolidated fiscal year

(1) Amount of contract assets and contract liabilities

	As of March 31,		
	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Receivable from contract with customers (Beginning balance)	¥ 9,746	¥9,146	$72,984
Receivable from contract with customers (Ending balance)	¥12,526	¥9,746	$93,804
Contract assets (Beginning balance)	¥ 1,299	¥ 548	$ 9,732
Contract assets (Ending balance)	¥ 1,836	¥1,299	$13,755
Contract liabilities (current) (Beginning balance)	¥ 498	¥ 676	$ 3,735
Contract liabilities (current) (Ending balance)	¥ 3,073	¥ 498	$23,016
Contract liabilities (fixed) (Beginning balance)	¥ 437	¥ 467	$ 3,274
Contract liabilities (fixed) (Ending balance)	¥ 406	¥ 437	$ 3,043

Receivables from contract with customers and contract assets are included in other current assets on the Consolidated Balance Sheet. Contract liabilities (current) and contract liabilities (fixed) are included in other current liabilities and other long-term liabilities, respectively.

During the fiscal year ended March 31, 2023 and 2022, the amounts of recognized income, which were included in the opening balance of the contract liabilities are ¥638 million ($4,781 thousand) and ¥782 million respectively.

(2) Transaction price distributed to residual performance obligations

Regarding the transaction price distributed to the residual performance obligations, the group does not have any significant contracts with an initially expected contract period of more than one year, so practical convenience is applied and the description is omitted.

31. Related Party Transactions

Related party transactions information is not presented as the amounts for the years ended March 31, 2023 and 2022 were immaterial.

For the years ended March 31, 2023 and 2022, the important affiliated company is NTT-TC leasing Co., Ltd., and its summarized financial statements are as follows.

	NTT-TC Leasing Co., Ltd.(Note)		
	As of March 31,		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Total current assets	¥1,680,601	¥1,451,461	$12,585,004
Total non-current assets	¥ 199,917	¥ 214,649	$ 1,497,060
Total deferred charges	¥ 243	¥ 219	$ 1,820
Total current liabilities	¥1,293,082	¥1,084,631	$ 9,683,113
Total long-term liabilities	¥ 446,077	¥ 445,941	$ 3,340,405
Total equity	¥ 141,601	¥ 135,756	$ 1,060,367
Total revenues	¥ 384,713	¥ 363,408	$ 2,880,888
Total income before income taxes	¥ 18,583	¥ 16,961	$ 139,162
Total net income attributed to owners of the parents	¥ 12,825	¥ 11,780	$ 96,045

32. Amounts per Share

The net assets per share, basic and diluted net income attributable to owners of the parent per share for the years ended March 31, 2023 and 2022 were as follows

	Yen		U.S. dollars
	2023	2022	**2023**
Net assets	**¥6,222.16**	¥5,507.50	**$46.59**
Net income attributable to owners of the parent:			
Basic	**¥ 38.95**	¥ 411.56	**$ 0.29**
Diluted	**¥ 38.8**	¥ 409.74	**$ 0.29**

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 the parent per share is calculated by dividing the net income attributable to owners of the 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 the parent per share is calculated based on the net income attributable to owners of the 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 the calculation is as follows:

1. Net assets per share

	Thousands of shares	
	March 31, 2023	March 31, 2022
Number of shares of common stock used for the calculation of net assets per share	**122,400**	122,201

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2023	March 31, 2022	**March 31, 2023**
Total net assets	**¥888,985**	¥795,580	**$6,657,074**
Amount deducted from total net assets:	**127,388**	122,556	**953,935**
Share subscription rights	**2,039**	2,432	**15,271**
Non-controlling interests	**125,349**	120,123	**938,663**
Net assets attributable to shares of common stock	**¥761,597**	¥673,024	**$5,703,139**

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

	Thousands of shares	
	2023	2022
Weighted average number of shares of common stock	**122,361**	122,194
Increase in shares of common stock		
Exercise of share subscription rights	**461**	542

33. Subsequent Events

Not applicable