

Tokyo Century Corporation

FINANCIAL STATEMENTS 2024

For the year ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tokyo Century Corporation:

<Audit of Consolidated Financial Statements>

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, 2024, 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, 2024, 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.

Impairment of leased assets related to operating leases for aircraft held by Aviation Capital Group LLC	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As stated in Note 5 to the consolidated financial statements, "Significant Accounting Estimates: (1) Impairment of leased assets," on the consolidated balance sheet as of March 31, 2024, the Group recorded ¥2,496,294 million of leased assets as tangible fixed assets, which included ¥1,769,064 million of leased assets related to operating leases for aircraft. Also, the amount of impairment losses on leased assets for aircraft for the year ended March 31, 2024, was ¥2,426 million in costs.</p> <p>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 the following steps in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), identifying individual aircraft as an asset group:</p> <p>(1) If indications of impairment are identified by performing impairment indicators assessment, the Subsidiary estimates undiscounted future cash flows based on assumptions such as lease income and disposal value, considering the possibility of secondary leasing, future market conditions, and other information. Also, the Subsidiary determines whether an impairment loss should be recognized by comparing the book value and the undiscounted future cash flows.</p> <p>(2) If leased assets are determined to be impaired, impairment losses are measured based on the estimated net realizable value or the discounted future cash flows.</p> <p>As stated in Note 5 to the consolidated financial statements, "Significant Accounting Estimates," the undiscounted future cash flows used in the recognition and measurement of impairment losses on leased assets related to operating leases for aircraft are estimated based on assumptions such as lease income and disposal value, considering the possibility of secondarily leasing, future market conditions, and other information. Furthermore, the Subsidiary designs and operates controls over the review and approval of the estimates within the Subsidiary.</p>	<p>Our audit procedures performed in relation to the key audit matter included the following, among others:</p> <p>(1) For assessing the business environment surrounding the aircraft leasing industry and the reasonableness of the estimates of the future cash flow used in determination on whether impairment losses should be recognized and measurement of impairment losses, we inquired the executives of the Specialty Financing in charge of the aircraft leasing business of the Group about the following and examined the comparison and consistency between their responses and available external data:</p> <ul style="list-style-type: none"> • The business environment of the airline leasing industry • Operating conditions, financial position, and status of lease payments of the Subsidiary's lessees whose lease payments have been delayed or lessees whose lease payments have been deferred based on the agreements • Status of negotiations for secondary leases of the aircraft that have been off-lease for a certain period among the leased assets related to aircraft leases held by the Subsidiary <p>(2) We instructed the Subsidiary's auditor to perform the audit of the Subsidiary and we performed the following procedures, among others:</p> <ul style="list-style-type: none"> • We gained an understanding of the changes in the accounting policies and significant assumptions used by the Subsidiary for impairment of leased assets related to operating leases for aircraft from the previous fiscal year, and examined whether they were in accordance with U.S. GAAP. • We tested the design and operating effectiveness of the Subsidiary's controls over the review and approval processes to ensure the reasonableness of management's estimates related to the significant assumptions such as lease income and disposal value, consideration of the possibility of secondarily leasing and future market conditions included in the estimates of the future cash flows related to aircraft held for leasing purposes.

<p>The future cash flows used in the recognition and measurement of impairment losses are estimated based on significant assumptions such as lease income and disposal value, considering the possibility of secondarily leasing, future market conditions, and other information. These significant assumptions are influenced by various factors such as economic environment, business environment in the airline industry, solvency of airlines as lessees, and market price of aircraft. Furthermore, the business environment surrounding aircraft leasing industry has become more complex being exposed to risks such as geopolitical risks and interest rate fluctuation risk. Therefore, the significant assumptions included in the estimation of the future cash flows used in the recognition and measurement of impairment losses on leased assets related to operating leases for aircraft involve uncertainty. If these estimations are not appropriate, there is a risk that impairment losses on leased assets related to operating leases for aircraft may not be properly recognized.</p> <p>Considering above, we determined the reasonableness of the estimates of the future cash flows used to determine whether impairment losses should be recognized and measure impairment losses on leased assets related to operating leases for aircraft held by the Subsidiary, including the reasonableness of the assumptions used to determine whether impairment losses should be recognized, as a key audit matter.</p>	<ul style="list-style-type: none"> • We inquired of the Subsidiary's management about their estimates of the significant assumptions used in the estimated future cash flows such as lease income, and disposal value developed considering the possibility of secondarily leasing and future market conditions. • We evaluated the accuracy of management's estimates, including the possibility of secondarily leasing, future leasing income, and disposal value for aircraft held for leasing purposes, by performing a retrospective review of the estimates made by management in the previous year. • We tested the reasonableness of the significant assumptions used in the estimates of the future cash flows related to aircraft held for leasing purposes such as the possibility of secondarily leasing and the estimates of lease income and disposal value developed considering the future market conditions. Our procedures included inquiries of management and performing a comparison between these estimates and contractual terms of new lease contracts in the current period, past results and available external data for consistency.
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Reasonableness of the classification of loans between (1) general loans and (2) claims provable in bankruptcy or rehabilitation in the calculation of the estimated losses from bad debts

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>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.</p> <p>The Group records estimated losses from bad debts as an allowance for doubtful accounts or writes off such 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, 2024, the Group recorded ¥8,650 million of allowances for doubtful accounts. The loans uncollectible of ¥296 million were directly written off from claims provable in bankruptcy or rehabilitation. The amount of allowance for doubtful accounts held by the Company was ¥2,929 million (before elimination of intra group transactions), and the amounts of loans uncollectible of ¥296 million were directly written off from claims provable in bankruptcy or rehabilitation (before elimination of intra group transactions).</p>	<p>Our audit procedures performed in relation to the key audit matter included the following, among others:</p> <ul style="list-style-type: none"> • We evaluated whether the internal management rules that the Company applied for the classification of loans as general loans or claims provable in bankruptcy or rehabilitation, complied with accounting principles generally accepted in Japan. • We evaluated the design and operating effectiveness of controls over the review and approval processes within the Company, including information technology application controls, regarding the loan classification based on credit information such as payment status of the counterparties in accordance with internal management rules.

As stated in Note 5 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.

The Group calculates estimated losses from bad debts by using the loan loss ratio for general loans and assessing collectability for claims provable in bankruptcy or rehabilitation individually.

The Group establishes internal management rules to determine the classification of loans, and designs and operates controls over the review and approval processes 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. There is a large difference between the allowance rates used for general loans and claims provable in bankruptcy or rehabilitation and the amount of loans held by the Company is quantitatively material. Therefore, the reasonableness of the classification of loans between (1) general loans and (2) claims provable in bankruptcy or rehabilitation in the calculation of estimated losses from bad debts held by the Company is significant to the consolidated balance sheet.

Based on the consideration above, we determined the reasonableness of the classification of loans between (1) general loans and (2) claims provable in bankruptcy or rehabilitation in the calculation of estimated losses from bad debts for claims held by the Company as a key audit matter.

- We evaluated the design and operating effectiveness of controls within the Company regarding accuracy and completeness of payment delinquency information based on payment status of the counterparties used in determining the loan classification.
- In order to evaluate the accuracy of the estimates regarding the loan classification based on the internal management rules by the Company, we performed a comparative analysis between the amount of allowance for doubtful accounts recorded as of March 31, 2023, and the amount of credit losses for the year ended March 31, 2024.
- We tested the reasonableness of the loan classification between (1) general loans and (2) claims provable in bankruptcy or rehabilitation made by the Company through inquiries of management and inspection of documents used in determining the loan classification to check the consistency between the loan classification determined based on the credit information, such as payment delinquency information based on payment status of the counterparties, and the internal management rules.

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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Tokyo Century Corporation and its subsidiaries were ¥231 million and ¥499 million, respectively.

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 23, 2024

Tokyo Century Corporation and Consolidated Subsidiaries Consolidated Balance Sheet

	As of March 31,		
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Assets			
Current assets:			
Cash and cash equivalents (Notes 13 and 26)	¥183,925	¥201,280	\$1,214,833
Time deposits other than cash equivalents (Note 26)	¥9,933	¥15,156	\$65,609
Receivables – trade:			
Installment sales(Notes 13,14 and 26)	167,071	161,678	1,103,512
Lease receivables and investment in leases (Notes 13,14,24 and 26)	1,391,310	1,565,153	9,189,631
Loans(Notes 13 and 26)	435,091	450,576	2,873,788
Leases	63,886	74,572	421,973
Operational investment securities(Notes 10,11,13 and 26)	407,050	326,042	2,688,577
Short-term investment securities(Notes 10 and 26)	809	300	5,344
Inventories(Notes 8 and 13)	36,712	28,147	242,483
Other current assets(Notes 13 and 32)	246,947	180,748	1,631,096
Allowance for doubtful accounts(Notes 5, 15, 21 and 26)	(3,859)	(6,862)	(25,494)
Total current assets	2,938,879	2,996,794	19,411,355
Property and equipment, at cost less accumulated depreciation:			
Leased assets(Notes 5, 12, 13 and 18)	2,496,294	2,229,830	16,488,073
Advances for purchases of property for lease	93,965	81,147	620,640
Other operating assets(Note 12)	244,938	214,976	1,617,825
Construction in progress	33,230	5,105	219,487
Own assets in use(Notes 12 and 13)	27,552	23,773	181,987
Total property and equipment, net	2,895,981	2,554,833	19,128,014
Investments and other assets:			
Investments in securities(Notes 10,11,13 and 26)			
Unconsolidated subsidiaries and associated companies	315,031	254,212	2,080,786
Other securities	89,119	71,533	588,634
Long-term loans and other assets	77,641	73,362	512,820
Goodwill (Note 5)	72,924	58,064	481,668
Claims provable in bankruptcy or rehabilitation (Notes 5, 26)	7,627	10,432	50,381
Computer software leased to customer	2,525	2,640	16,683
Other intangible assets	39,638	34,751	261,811
Assets for employees' retirement benefits	270	177	1,783
Deferred charges	1,911	2,567	12,626
Deferred tax assets(Note 21)	24,170	30,279	159,649
Allowance for doubtful accounts(Notes 5, 21 and 26)	(4,790)	(7,533)	(31,639)
Total investments and other assets	626,070	530,486	4,135,206
Total assets	¥6,460,930	¥6,082,114	\$42,674,576

Tokyo Century Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

	As of March 31,		
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Liabilities and Equity			
Current liabilities:			
Short-term borrowings(Notes 12,13 and 24)	¥765,435	¥647,362	\$5,055,715
Current portion of long-term debt (Notes 12,13 and 24)	975,409	1,052,259	6,442,601
Notes and accounts payable – trade (Note 24)	216,852	202,665	1,432,311
Lease obligations(Notes 22 and 24)	9,560	8,779	63,145
Accrued income taxes(Note 19)	12,047	12,157	79,570
Deferred profit on installment sales(Note 24)	15,463	14,173	102,136
Other current liabilities (Note 30)	147,315	168,784	973,022
Total current liabilities	2,142,083	2,106,181	14,148,503
Long-term liabilities:			
Long-term debt (Notes 12,13 and 24)	3,008,150	2,815,036	19,868,891
Lease obligations(Notes 22 and 24)	20,320	19,925	134,215
Provision for directors' retirement benefits	346	415	2,285
Liability for employees' retirement benefits (Note 21)	11,381	12,303	75,174
Provision for automobile inspection costs	717	793	4,741
Deferred tax liabilities(Note 19)	56,200	43,100	371,203
Other long-term liabilities (Note 30)	210,555	195,371	1,390,721
Total long-term liabilities	3,307,671	3,086,946	21,847,234
Total liabilities	5,449,754	5,193,128	35,995,737
Commitments and Contingent Liabilities (Note 23)			
Equity (Note 32):			
Common stock without par value:			
Authorized: 1,200,000,000 shares			
Issued: 492,113,280 shares in 2024 and 2023	81,129	81,129	535,860
Capital surplus	56,199	56,491	371,197
Stock acquisition rights(Note 27)	2,240	2,039	14,798
Retained earnings	524,903	474,223	3,466,995
Treasury stock:			
2,459,140 shares in 2024 and 2,510,128 shares in 2023	(1,599)	(1,631)	(10,567)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	37,994	20,781	250,955
Deferred gains on hedges	9,839	7,298	64,991
Foreign currency translation adjustments	163,105	123,168	1,077,318
Defined retirement benefit plans (Note 21)	658	137	4,350
Total	874,471	763,636	5,775,900
Non-controlling interests	136,704	125,349	902,938
Total equity	1,011,176	888,985	6,678,838
Total liabilities and equity	¥6,460,930	¥6,082,114	\$42,674,576

(Note)

The Company conducted a 4-for-1 stock split of its common shares effective January 1, 2024. The number of common stock without par value and treasury stock have been calculated based on the premise that the stock split was conducted at the beginning of the previous fiscal year.

Tokyo Century Corporation and Consolidated Subsidiaries

Consolidated Statement of Income

	Years ended March 31		
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Revenues	¥1,346,113	¥1,324,962	\$8,891,104
Costs(Note 8, 18)	1,092,925	1,099,459	7,218,796
Gross profit	253,187	225,503	1,672,307
Selling, general and administrative expenses(Note 15)	148,961	134,281	983,893
Operating income	104,225	91,221	688,414
Other income(expenses):			
Interest and dividend income	2,036	3,151	13,453
Interest expense	(7,851)	(5,943)	(51,859)
Equity in earnings of unconsolidated subsidiaries and associated companies	17,802	18,306	117,586
Foreign exchange gain (loss)	615	(72)	4,062
Commissioning cost(Note 16)	—	(1,682)	—
Gain on sales of shares of subsidiary	1,046	—	6,909
Gain on sales of investments in securities	760	4,934	5,023
Loss on valuation of investment securities	(952)	(153)	(6,292)
Loss on disposal of property and equipment	(186)	(150)	(1,231)
Russia-related losses(Note 17)	—	(74,794)	—
Other — net	503	781	3,326
Other income(expenses)-net	13,774	(55,622)	90,978
Income before income taxes	118,000	35,598	779,393
Income taxes(Note 21):			
Current	25,411	29,563	167,844
Deferred	10,065	(8,476)	66,479
Total income taxes	35,476	21,087	234,324
Net income	82,523	14,511	545,068
Net income attributable to:			
Non-controlling interests	10,386	9,745	68,602
Owners of the parent(Note 35)	¥72,136	¥4,765	\$476,465

	2024	2023	2024
	(Yen)		(U.S. dollars) (Note 1)
Amounts per share of common stock (Note 35)			
Basic net income	¥147.32	¥9.74	\$0.97
Diluted net income	¥146.75	¥9.70	\$0.96
Cash dividends applicable to the year	¥52.00	¥35.75	\$0.34

(Note)

The Company conducted a 4-for-1 stock split of its common shares effective January 1, 2024. The basic net income per share, the diluted net income per share and cash dividends applicable to the year have been calculated based on the premise that the stock split was conducted at the beginning of the previous fiscal year.

Tokyo Century Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	Years ended March 31		
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Net income	¥82,523	¥14,511	\$545,068
Other comprehensive income(Note 19):			
Unrealized gain (loss) on available-for-sale securities	16,538	(1,048)	109,237
Deferred gain (loss) on hedges	2,383	(575)	15,745
Foreign currency translation adjustments	36,670	99,155	242,208
Defined retirement benefit plans	740	139	4,888
Share of other comprehensive income in associates	6,202	3,977	40,969
Total other comprehensive income	62,535	101,648	413,050
Comprehensive income	¥145,059	¥116,160	\$958,119
Comprehensive income attributable to :			
Owners of the parent	¥132,351	¥105,297	\$874,181
Non-controlling interests	¥12,708	¥10,863	\$83,937

Tokyo Century Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity

	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, 2022	492,113	¥81,129	¥56,244	¥2,432	¥486,946	¥(2,148)
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	492,113	81,129	¥56,491	¥2,039	¥474,223	¥(1,631)
Cumulative effect of accounting change (Note 3)					(400)	
Balance as of April 1, 2024 (as restated)		81,129	56,491	2,039	473,822	(1,631)
Cash dividends					(21,054)	
Net income attributed to owners of the parent					72,136	
Purchase of treasury stock						(3)
Disposal of treasury stock			27			34
Change in scope of consolidation					(2)	
Purchase of shares of consolidated subsidiaries			(319)			
Net change in the year				201		
Balance as of March 31, 2024	492,113	¥81,129	¥56,199	¥2,240	¥524,903	¥(1,599)

	Millions of yen						
	Accumulated unrealized gain on available for sale security	Other Deferred (loss) gain on hedges	Comprehensive Foreign currency translation adjustments	Income Defined retirement benefit plans	Subtotal	Non- controlling interests	Total Equity
Balance as of April 1, 2022	¥23,069	¥7,781	¥20,055	¥(53)	¥675,457	¥120,123	¥795,580
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
Cumulative effect of accounting change (Note 3)					(400)		(400)
Balance as of April 1, 2024 (as restated)	20,781	7,298	123,168	137	763,236	125,349	888,585
Cash dividends					(21,054)		(21,054)
Net income attributed to owners of the parent					72,136		72,136
Purchase of treasury stock					(3)		(3)
Disposal of treasury stock					62		62
Change in scope of consolidation					(2)		(2)
Purchase of shares of consolidated subsidiaries					(319)		(319)
Net change in the year	17,213	2,541	39,937	521	60,415	11,355	71,770
Balance as of March 31, 2024	¥37,994	¥9,839	¥163,105	¥658	¥874,471	¥136,704	¥1,011,176

Tokyo Century Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity (continued)

	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 April 1, 2023	492,113	\$535,860	\$373,124	\$13,470	\$3,132,254	\$(10,774)
Cumulative effect of accounting change (Note 3)					(2,645)	
Balance as of April 1, 2024 (as restated)	492,113	535,860	373,124	13,470	3,129,609	(10,774)
Cash dividends					(139,063)	
Net income attributed to owners of the parent					476,465	
Purchase of treasury stock						(21)
Disposal of treasury stock			182			228
Change in scope of consolidation					(16)	
Purchase of shares of consolidated subsidiaries			(2,110)			
Net change in the year				1,328		
Balance as of March 31, 2024	492,113	\$535,860	\$371,197	\$14,798	\$3,466,995	\$(10,567)

	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 April 1, 2023	\$137,260	\$48,206	\$813,527	\$905	\$5,043,834	\$827,933	\$5,871,768
Cumulative effect of accounting change (Note 3)					(2,645)		(2,645)
Balance as of April 1, 2024 (as restated)	137,260	48,206	813,527	905	5,041,189	827,933	5,869,123
Cash dividends					(139,063)		(139,063)
Net income attributed to owners of the parent					476,465		476,465
Purchase of treasury stock					(21)		(21)
Disposal of treasury stock					411		411
Change in scope of consolidation					(16)		(16)
Purchase of shares of consolidated subsidiaries					(2,110)		(2,110)
Net change in the year	113,695	16,784	263,790	3,444	399,043	75,004	474,048
Balance as of March 31, 2024	\$250,955	\$64,991	\$1,077,318	\$4,350	\$5,775,900	\$902,938	\$6,678,838

(Note)

The Company conducted a 4-for-1 stock split of its common shares effective January 1, 2024. The number of shares of common stock has been calculated based on the premise that the stock split was conducted at the beginning of the previous fiscal year.

Tokyo Century Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Years ended March 31		
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Operating activities:			
Income before income taxes	¥118,000	¥35,598	\$779,393
Adjustments for:			
Income taxes paid	(25,516)	(36,613)	(168,536)
Depreciation and amortization of leased assets	218,396	200,410	1,442,512
Loss on sale and disposal of leased assets	111,980	125,522	739,632
Impairment loss	3,148	50,580	20,798
Depreciation of other operating assets, and cost of other operating asset sales	11,503	9,551	75,979
Depreciation and loss on sale and disposal of own assets in use	12,777	13,847	84,393
Amortization of goodwill	4,060	4,014	26,821
Foreign exchange (gain) loss	(615)	72	(4,062)
Decrease in allowance for doubtful accounts	(6,165)	(4,124)	(40,724)
Increase in accrued bonus	333	28	2,202
Increase (decrease) in liability for employees' retirement benefits	(217)	492	(1,433)
Equity in earnings of affiliates	(17,802)	(18,306)	(117,586)
Gain on sale of investments in securities	(759)	(4,934)	(5,017)
Decrease in installment sales receivable	5,758	9,102	38,037
Gain on sales of shares of subsidiary	(1,046)	—	(6,909)
Decrease(increase) in lease receivables and investment in leases	(112,871)	36,800	(745,520)
Decrease(increase) in loans receivable	30,561	(25,003)	201,859
Increase in operational investment securities	(71,205)	(22,206)	(470,311)
Purchases of leased assets	(484,102)	(399,607)	(3,197,505)
Purchase of other operating assets	(2,414)	(96,721)	(15,945)
Decrease(increase) in construction in progress	(94)	79,491	(623)
Decrease in claims provable in bankruptcy or rehabilitation	330	6,958	2,182
Increase (decrease) in notes and accounts payable - trade	19,414	(5,311)	128,234
Decrease in interest payable	2,593	1,725	17,129
Other — net	7,209	7,205	47,615
Total adjustments	(294,742)	(67,028)	(1,946,779)
Net cash provided by (used in) operating activities	(176,742)	(31,429)	(1,167,386)
Investing activities:			
Proceeds from sale of own assets in use	1,581	350	10,443
Purchase of own assets in use	(15,149)	(9,635)	(100,063)
Proceeds from sale/redemption of investments in securities	12,753	8,869	84,235
Purchase of investments in securities	(44,467)	(17,263)	(293,710)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 20)	(68,190)	(2,422)	(450,398)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation (Note 20)	(458)	—	(3,028)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation (Note 20)	1,127	—	7,445
Other — net	4,307	(11,207)	28,451
Net cash provided by (used in) investing activities	¥(108,497)	¥(31,308)	\$ (716,626)

Tokyo Century Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

	Years ended March 31		
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Financing activities:			
Increase (decrease) in short-term borrowings, net	¥332,112	¥(24,949)	\$2,193,611
Proceeds from long-term loans	886,826	985,550	5,857,506
Repayment of long-term loans	(1,041,982)	(878,457)	(6,882,311)
Decrease in payables under securitized lease receivables, net	(8,000)	(14,300)	(52,840)
Proceeds from issuance of bonds	275,072	170	1,816,856
Redemption of bonds	(152,022)	(36,811)	(1,004,114)
Proceeds from stock issuance to non-controlling interest shareholders	375	192	2,479
Repayments to non-controlling interest shareholders	(1,346)	(1,451)	(8,892)
Cash dividends paid	(21,054)	(17,488)	(139,063)
Cash dividends paid to non-controlling interest shareholders	(5,493)	(4,557)	(36,284)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(396)	(27)	(2,615)
Other — net	(2,193)	(940)	(14,491)
Net cash provided by (used in) financing activities	261,897	6,926	1,729,839
Foreign currency translation adjustments on cash and cash equivalents	5,986	17,044	39,542
Net increase(decrease) in cash and cash equivalents	(17,355)	(38,766)	(114,630)
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	—	—
Cash and cash equivalents, beginning of year	201,280	240,047	1,329,464
Cash and cash equivalents, end of year	¥183,925	¥201,280	\$1,214,833

Tokyo Century Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

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 Financial Instruments and Exchange Act of Japan 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 IFRS Accounting 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, 2024 is included solely for the convenience of readers and has been made at the rate of ¥151.4 = 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, 2024, include the accounts of the Company and its 266 significant (267 in 2023) 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.
 FLCS Co., Ltd.
 IHI Finance Support Corporation
 ITEC Leasing Co., Ltd.
 S.D.L Co., Ltd.
 EPC Japan K.K.
 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
 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. Tokyo Century Indonesia
 TISCO Tokyo Leasing 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

2. Summary of Significant Accounting Policies (continued)

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.
 TC Global Investments Americas LLC
 NTT Global Data Centers Joint Venture CH, LLC
 NTT Global Data Centers Holding CH, LLC
 NTT Global Data Centers CH, LLC

Equity Method Affiliated Companies

NTT TC Leasing Co., Ltd.
 NX・TC Lease & Finance Co., Ltd.
 FFG Lease Co., Ltd.
 BOT Lease Co., Ltd.
 ITOCHU TC Construction Machinery Co., Ltd.
 Bplats, Inc.
 Orico Business Leasing Co., Ltd.
 Orico Auto Leasing Co., Ltd.
 Chuo Nittochi Asset Management Co., 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
 ZAXIS Financial Services Americas, LLC
 GA Telesis, LLC

(1) Number of consolidated subsidiaries:266

NTT Global Data Centers CH, LLC and 4 other companies have been newly included in the scope of consolidation due to acquisition. In addition, PT CSI Renting Indonesia and 12 other companies which were mainly newly incorporated are included in the scope of consolidation.

TCC US RE, LP and 16 companies have been excluded from the scope of consolidation mainly due to their liquidation. In addition, Orico Auto Leasing Co., Ltd. and 1 other company which were included in the scope of equity method affiliated company due to share transfer have been excluded from the scope of consolidation.

(2) Unconsolidated subsidiaries

TLC Capital Co., Ltd. and 110 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.

2. Summary of Significant Accounting Policies (continued)

(3) Number of companies accounted for by the equity method: 45

Mutsu Ogawara Wind Power LLC and 5 other companies have been newly included in the scope of equity method affiliated company mainly due to share acquisition. Orico Auto Leasing Co., Ltd. and 1 other company have been included in the scope of equity method affiliated company due to share transfer.

Also, NTT Global Data Centers Holding Asia NAV2 Pte. Ltd. and other 2 companies have been excluded from the scope of equity method affiliated company mainly due to share transfer.

(4) Companies not accounted for by the equity method

TLC Capital Co., Ltd. and 110 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 5 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, 2024, 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 173 other subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, 2023, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31, 2024.

2. Summary of Significant Accounting Policies (continued)

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 IFRS Accounting 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) Business combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements, provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary, while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

2. Summary of Significant Accounting Policies (continued)

d) 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.

e) 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.

f) 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.

g) 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.

2. Summary of Significant Accounting Policies (continued)

h) 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 Financial Instruments and Exchange Act of Japan, 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.

i) 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).

j) 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 life 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.

k) 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.

2. Summary of Significant Accounting Policies (continued)

l) 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.

m) 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.

n) 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.

o) Derivatives and hedging activities

The Companies enter into interest-rate swap contracts, forward foreign exchange contracts, currency swaps and loans from banks in order to hedge interest-rate and foreign currency exchange rate exposure on certain liabilities and assets, including loans from banks, investment in leases, 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.

2. Summary of Significant Accounting Policies (continued)

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

2. Summary of Significant Accounting Policies (continued)

p) Allowance for doubtful accounts

The allowance for doubtful accounts is recorded on the basis of historical experience to provide for possible losses from bad debts related to general 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 amounts of long-term receivables considered uncollectible were directly written off from claims provable in bankruptcy or rehabilitation. The amounts directly written off were ¥ 296 million (\$ 1,959 thousand) as of March 31, 2024.

q) 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.

r) 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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, Financial Instruments—Credit Losses)

Starting at the beginning of the fiscal year ended March 31, 2024, certain foreign consolidated subsidiaries adopting U.S. GAAP applied ASU No. 2016-13, Financial Instruments—Credit Losses. With the application of this accounting standard, the concept of expected credit losses for financial assets was introduced instead of the previous concept of incurred losses, and a provision for expected credit losses for the entire period is recognized at the time of initial recognition.

Regarding the application of this accounting standard, the cumulative effect of applying with the new accounting policy retrospectively prior to the beginning of the fiscal year ended March 31, 2024, was reflected in retained earnings at the beginning of the fiscal year ended March 31, 2024, and the Company has applied the new policy to the balance at the beginning of the fiscal year. The effect of this change on the consolidated financial statements is not material.

4. New Accounting Pronouncements

“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.

“Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules” (ASBJ, Practical Solution No. 46, March 22, 2024)

(1) Overview

The Practical Solution is intended to provide the handling of accounting for and disclosure of current corporate income taxes and local corporate taxes, in cases for which the Global Minimum Tax Rules are applicable.

(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 ¥2,496,294 million (\$16,488,073 thousand) and ¥2,229,830 million were recorded on the Consolidated Balance Sheet as of March 31, 2024 and 2023, including leased assets of ¥1,769,064 million (\$11,684,708 thousand) and ¥1,552,275 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.

During the fiscal years ended March 31, 2024 and 2023, impairment loss of ¥2,794 million (\$18,459 thousand) and ¥4,740 million was recorded as costs. Of this impairment loss, ¥2,426 million (\$16,028 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.

Furthermore, the Company recorded impairment loss, other than leased assets, of ¥354 million (\$2,338 thousand) as costs, which was associated with intangible assets related to aircraft leasing in the fiscal year ended March 31, 2024.

(2) Impairment of goodwill

Goodwill of ¥72,924 million (\$481,668 thousand) and ¥58,064 million was recorded on the Consolidated Balance Sheet as of March 31, 2024 and 2023. No impairment of goodwill was recorded during the fiscal year ended March 31, 2024.

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.

5. Significant Accounting Estimates (Continued)

(3) Allowance for doubtful accounts

Allowance for doubtful accounts of ¥8,650 million (\$57,134 thousand) and ¥14,396 million was recorded on the Consolidated Balance Sheet as of March 31, 2024 and 2023. 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 ¥296 million (\$1,959 thousand) and ¥476 million on the Consolidated Balance Sheet as of March 31, 2024 and 2023.

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

"Loss on valuation of investment securities" in the amount of ¥153 million in the fiscal year ended March 31, 2023, which was previously included in "Other – net" in Other income (expenses), is presented separately for the fiscal year ended March 31, 2024 since the amount is significant.

"Loss on disposal of property and equipment" in the amount of ¥150 million in the fiscal year ended March 31, 2023, which was previously included in "Other – net" in Other income (expenses), is presented separately for the fiscal year ended March 31, 2024 since the amount is significant.

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 120 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 ¥888,855 million (\$5,870,907 thousand).

8. Inventories

The breakdown of inventories as of March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished goods	¥26,888	¥17,849	\$177,600
Work in progress	6,816	2,200	45,021
Raw materials and supplies	3,007	8,097	19,862

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, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Costs	¥(2,536)	¥2,536	\$(16,751)

9. Notes matured at the end of the fiscal year

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

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Notes Receivable	¥26	¥—	\$177
Notes Payable	1,389	—	9,179

10. 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, 2024 and 2023 consisted of the following:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Available-for-sale securities	¥496,978	¥397,875	\$3,282,555
Investments in unconsolidated subsidiaries and affiliates	315,031	254,212	2,080,786
Total	¥812,010	¥652,088	\$5,363,342

Available-for-sale securities included in operational investment securities, short-term investment securities and investments in securities as of March 31, 2024 and 2023 consisted of the following:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Equity securities	¥80,901	¥64,893	\$534,355
Debt securities	7,873	7,405	52,005
Other	72,913	60,236	481,595
Total	¥161,688	¥132,535	\$1,067,956

10. Operational Investment Securities, Short-term Investment Securities and Investments in Securities (continued)

The carrying amounts and aggregate fair value of available-for-sale securities with determinable market value as of March 31, 2024 and 2023 were as follows:

March 31, 2024				
	Cost	Unrealized gain	Unrealized loss	Fair value
(Millions of yen)				
Equity securities	¥46,636	¥34,383	¥118	¥80,901
Debt securities	6,056	1,817	—	7,873
Other	68,430	5,500	1,017	72,913
Total	¥121,123	¥41,702	¥1,136	¥161,688

March 31, 2023				
	Cost	Unrealized gain	Unrealized loss	Fair value
(Millions of yen)				
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

March 31, 2024				
	Cost	Unrealized gain	Unrealized loss	Fair value
(Thousands of U.S. dollars)				
Equity securities	\$308,033	\$227,106	\$784	\$534,355
Debt securities	40,003	12,002	—	52,005
Other	451,983	36,334	6,722	481,595
Total	\$800,020	\$275,442	\$7,506	\$1,067,956

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2024 and 2023 were as follows:

Carrying amount			
	2024	2023	2024
(Millions of yen)			(Thousands of U.S. dollars)
Equity securities	¥60,105	¥55,468	\$396,999
Debt securities	—	—	—
Other	275,184	209,872	1,817,598
Total	¥335,290	¥265,340	\$2,214,598

10. Operational Investment Securities, Short-term Investment Securities and Investments in Securities (continued)

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2024 and 2023 were as follows:

	March 31, 2024		
	Cost or book value	Realized gain	Realized loss
(Millions of yen)			
Available-for-sale:			
Equity securities	¥2,192	¥1,096	¥131
Debt securities	—	—	—
Other	—	—	—
Total	¥2,192	¥1,096	¥131

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

	March 31, 2024		
	Cost or book value	Realized gain	Realized loss
(Thousands of U.S. dollars)			
Available-for-sale:			
Equity securities	\$14,483	\$7,243	\$869
Debt securities	—	—	—
Other	—	—	—
Total	\$14,483	\$7,243	\$869

The impairment losses on securities recognized for the years ended March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Available-for-sale securities:			
Equity securities	¥3,994	¥18,842	\$26,382
Other	345	—	2,279
Investments in unconsolidated subsidiaries and affiliates:			
Unconsolidated subsidiaries	2	2	13
Affiliates	75	—	497
Total	¥4,416	¥18,845	\$29,172

11. Investments in non-consolidated subsidiaries and affiliates

The breakdown of investments in non-consolidated subsidiaries and affiliates as of March 31, 2024 and 2023 were as follows.

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in securities	¥315,031	¥254,212	\$2,080,786

12. Accumulated Depreciation of Property and Equipment

The accumulated depreciation of property and equipment as of March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Leased assets	¥1,056,953	¥961,525	\$6,981,196
Other operating assets	47,610	33,904	314,471
Own assets in use	24,041	23,394	158,792

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

The breakdown of short-term borrowings as of March 31, 2024 and 2023 were as follows:

	2024	2023	2024	Average interest rate
	(Millions of yen)		(Thousands of U.S. dollars)	
Short-term loans from banks	¥412,825	¥278,054	\$2,726,721	3.42%
Commercial paper	343,609	352,307	2,269,548	1.95%
Payables under securitized lease receivables	9,000	17,000	59,445	0.17%
Total	¥765,435	¥647,362	\$5,055,715	

(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, 2024 and 2023 were as follows:

	2024	2023	2024	Average interest rate
	(Millions of yen)		(Thousands of U.S. dollars)	
Long-term loans, principally from banks	¥2,757,880	¥2,805,842	\$18,215,858	2.42%
Long-term payables under securitized lease receivables	6,310	8,800	41,677	0.39%
Bonds	1,219,369	1,052,654	8,053,956	3.30%
Total	3,983,559	3,867,296	26,311,492	
Less current portion	975,409	1,052,259	6,442,601	
Total	¥3,008,150	¥2,815,036	\$19,868,891	

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

13. Short-Term Borrowings, Long-Term Debt and Assets Pledged (continued)

The Companies have entered into overdraft contracts which provided the Companies with overdraft facilities with 129 and 134 financial institutions as of March 31, 2024 and 2023 amounting to ¥2,111,463 million (\$13,946,259 thousand) and ¥1,926,554 million, respectively. The unused facilities maintained by the Companies as of March 31, 2024 and 2023 amounted to ¥1,644,130 million (\$10,859,516 thousand) and ¥1,470,830 million, respectively.

The aggregate annual maturity of long-term debt subsequent to March 31, 2024 is summarized as follows:

Years Ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2025	¥975,409	\$6,442,601
2026	828,135	5,469,853
2027	1,060,661	7,005,691
2028	353,442	2,334,497
2029	360,094	2,378,431
2030 and thereafter	405,815	2,680,417
Total	¥3,983,559	\$26,311,492

The Companies' assets pledged as collateral, principally for liabilities as of March 31, 2024 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Cash and cash equivalents	¥12,427	\$82,085
Accounts receivable-installment sales	614	4,062
Accounts receivable-lease receivables and investment in leases	268,395	1,772,757
Accounts receivable-loans	2,798	18,481
Operational investment securities	927	6,127
Inventories	3,851	25,437
Other current assets	18,447	121,845
Leased assets	134,996	891,656
Other operating assets	110,669	730,976
Own assets in use	1,365	9,019
Investments in securities	2,202	14,550
Other investments	18,802	124,192
Total	¥575,500	\$3,801,191

13. Short-Term Borrowings, Long-Term Debt and Assets Pledged (continued)

Liabilities secured by the above assets as of March 31, 2024 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Short-term borrowings	¥3,249	\$21,465
Long-term debt (including current portion)	371,620	2,454,557
Payables under fluidity lease receivables	9,000	59,445
Long-term payables under fluidity lease receivables (including current portion)	6,310	41,677
Total	¥390,179	\$2,577,146

14. 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.

14. Derivatives (continued)

Derivative transactions to which hedge accounting had not been applied as of March 31, 2024 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Notional amount (over one year)	Fair value	Unrealized gain (loss)	Notional amount (over one year)	Fair value	Unrealized gain (loss)
Forward exchange contracts:						
Put/MXP	¥6,096 (2,971)	¥(1,337)	¥(1,337)	\$40,270 (19,624)	\$(8,831)	\$(8,831)
Put/EUR	5,538 (810)	(157)	(157)	36,582 (5,351)	(1,037)	(1,037)
Put/CAD	1,347 (659)	9	9	8,902 (4,359)	62	62
Put/BRL	1,442 (702)	(368)	(368)	9,529 (4,638)	(2,434)	(2,434)
Put/GBP	1,398 (636)	(27)	(27)	9,239 (4,204)	(181)	(181)
Put/Other	6,312 (5,737)	44	44	41,694 (37,898)	291	291
Call/BRL	383 (—)	(0)	(0)	2,530 (—)	(4)	(4)
Call/Other	15 (10)	(0)	(0)	105 (70)	(0)	(0)
Total	¥22,536 (11,528)	¥(1,837)	¥(1,837)	\$148,853 (76,146)	\$(12,135)	\$(12,135)

14. Derivatives (continued)

Derivative transactions to which hedge accounting had not been applied as of March 31, 2023 were as follows:

	Millions of yen		
	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)
Receive/PHP; Pay/USD	¥2,422 (—)	¥237	¥237
Forward exchange contracts:			
Put/MXP	¥6,062 (2,869)	¥(725)	¥(725)
Put/EUR	4,917 (691)	(126)	(126)
Put/CAD	2,686 (952)	71	71
Put/BRL	1,952 (997)	(137)	(137)
Put/GBP	1,182 (652)	49	49
Put/Other	963 (512)	4	4
Total	¥33,107 (19,595)	¥(2,762)	¥(2,762)

14. Derivatives (continued)

Derivative transactions to which hedge accounting had been applied as of March 31, 2024 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	¥38	¥(17)	\$256	\$(118)
	–installment sales	(9)		(63)	
RMB	Accounts- receivable	3	(1)	21	(11)
	–installment sales	(—)		(—)	
Call					
USD	Investment in leases	1	0	7	0
		(—)		(—)	
AUD	Investment in leases	0	(0)	6	(0)
		(—)		(—)	
Currency swap contracts :					
Receive/MYR; Pay/USD	Borrowings	709	(22)	4,683	(147)
		(709)		(4,683)	
Deferral hedge accounting:					
Forward exchange contracts :					
Put					
EUR	Net investment in foreign subsidiary	9,255	(352)	61,135	(2,328)
		(—)		(—)	
GBP	Net investment in foreign subsidiary	6,301	(291)	41,623	(1,923)
		(—)		(—)	
Call					
USD	Forecasted transactions	33,964	9,709	224,338	64,134
		(31,248)		(206,398)	
CAD	Forecasted transactions	13,066	3,301	86,301	21,808
		(11,835)		(78,171)	
Currency swap contracts :					
Receive/USD; Pay/THB	Borrowings	2,188	7	14,457	51
		(1,652)		(10,911)	
Receive/JPY; Pay/THB	Borrowings	1,239	(183)	8,183	(1,211)
		(826)		(5,455)	
Total		¥66,769	¥12,150	\$441,016	\$80,253
		(46,280)		(305,684)	

14. Derivatives (continued)

	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;	Borrowings	¥631,611	¥4,136	\$4,171,806	\$27,322
Receive/floating		(453,241)		(2,993,669)	
Short-cut method:					
Pay/fixed;	Borrowings	35,407	(3)	233,863	(21)
Receive/floating		(31,327)		(206,915)	
Total		¥667,018 (484,568)	¥4,133	\$4,405,670 (3,200,584)	\$27,300

14. Derivatives (continued)

Derivative transactions to which hedge accounting had been applied as of March 31, 2023 were as follows:

Millions of yen			
	Hedged items	Notional amount (over one year)	Fair value
Allocation method:			
Forward exchange contracts :			
Put			
USD	Accounts- receivable –installment sales	¥133 (38)	¥(40)
RMB	Accounts- receivable –installment sales	21 (3)	(8)
Call			
USD	Investment in leases	2 (–)	0
Currency swap contracts :			
Receive/MYR; Pay/USD	Borrowings	1,990 (–)	(10)
Deferral hedge accounting:			
Forward exchange contracts :			
Put			
EUR	Net investment in foreign subsidiary	6,757 (–)	(529)
GBP	Net investment in foreign subsidiary	4,775 (–)	(376)
Call			
USD	Forecasted transactions	32,055 (30,120)	6,612
CAD	Forecasted transactions	12,482 (11,317)	2,013
Currency swap contracts :			
Receive/USD; Pay/THB	Borrowings	3,132 (496)	303
Receive/JPY; Pay/THB	Borrowings	1,146 (1,146)	(97)
Total		¥62,497 (43,122)	¥7,865

14. Derivatives (continued)

	Millions of yen		
	Hedged items	Notional amount (over one year)	Fair value
Interest rate swap			
Deferral hedge accounting:			
Pay/fixed;	Borrowings	¥394,410	¥3,824
Receive/floating		(339,295)	
Short-cut method:			
Pay/fixed;	Borrowings	26,728	(181)
Receive/floating		(20,284)	
Total		¥421,138 (359,579)	¥3,642

15. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Employees' salaries, wages and bonuses	¥65,130	¥58,786	\$430,189
Rent expenses	15,387	14,056	101,631
Provision for accrued bonuses for employees	3,821	3,492	25,241
Net periodic retirement benefit costs	2,716	2,841	17,945
Provision of allowance for doubtful accounts	2,686	534	17,747
Provision for accrued bonuses for directors	470	246	3,106
Provision for directors' retirement benefits	94	96	626
Other expenses	58,652	54,225	387,403
Total	¥148,961	¥134,281	\$983,893

16. Commissioning cost

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

17. 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 for the fiscal year ended March 31, 2023.

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 as other expenses for the fiscal year ended March 31, 2023.

18. Impairment loss

The impairment loss for the years ended March 31, 2024 and 2023 were as follows:

Category	Types of Assets	2024	
		(Millions of yen)	(Thousands of U.S. dollars)
Leased Assets	Transportation equipment (Aircraft)	¥2,426	\$16,028
	Other	368	2,431
—	Other intangible assets	354	2,338
	Total	¥3,148	\$20,798

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.

If the net sales value is regarded as the recoverable value, the recoverable value for the fiscal year ended March 31, 2024 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 6.4%.

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. Impairment loss (continued)

Category	Types of Assets	2023
		(Millions of yen)
Leased Assets	Transportation equipment (Aircraft)	¥50,580

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 fiscal year ended in March 31, 2023, impairment loss classified as costs was ¥4,740 million and classified as Russia-related losses was ¥45,839 million.

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%.

19. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized gain on available-for-sale securities			
Amount arising during the year	¥23,100	¥(8,618)	\$152,578
Reclassification adjustments for gains included in net income	688	6,962	4,546
Amount before tax effect	23,788	(1,655)	157,124
Tax effect	(7,250)	607	(47,887)
Unrealized gain (loss) on available-for-sale securities	16,538	(1,048)	109,237
Deferred gain on hedges			
Amount arising during the year	8,633	4,472	57,021
Reclassification adjustments for gains and losses included in net income	(5,177)	1,285	(34,196)
Amount before tax effect	3,455	5,757	22,825
Tax effect	(1,071)	(6,333)	(7,079)
Deferred gain (loss) on hedges	2,383	(575)	15,745
Translation adjustments			
Amount arising during the year	36,670	99,136	242,208
Reclassification adjustments for gains and losses included in net income	—	18	—
Translation adjustments	36,670	99,155	242,208
Defined retirement benefit plans			
Amount arising during the year	1,145	109	7,563
Reclassification adjustments for gains and losses included in net income	(72)	96	(480)
Amount before tax effect	1,072	205	7,082
Tax effect	(332)	(66)	(2,193)
Defined retirement benefit plans	740	139	4,888
Share of other comprehensive income of affiliates accounted for using equity method			
Amount arising during the year	6,328	4,111	41,799
Reclassification adjustments for gains and losses included in net income	(125)	(133)	(829)
Share of other comprehensive income of affiliates accounted for using equity method	6,202	3,977	40,969
Total other comprehensive income (loss)	¥62,535	¥101,648	\$413,050

20. Cash Flows

(1) Details of assets and liabilities of companies newly become a consolidated subsidiary through acquisition of interests

Reconciliation of the net cash paid for acquisition of NTT Global Data Centers Joint Venture CH, LLC is as follows:

	2024	
	(Millions of yen)	(Thousands of U.S. dollars)
Current Assets	¥6,828	\$45,099
Investment and other assets	¥71,365	\$471,373
Goodwill	¥13,935	\$92,041
Current liability	(¥5,735)	(\$37,880)
Long-term liability	(¥3,766)	(\$24,879)
Non-controlling interests	(¥13,859)	(\$91,542)
Acquisition cost	¥68,767	\$454,212
Cash and cash equivalent	(¥4,628)	(\$30,569)
Net cash paid for acquisition	¥64,139	\$423,643

(2) Details of assets and liabilities of companies excluded from scope of consolidation through sales of shares

Proceeds from sales of shares of Orico Auto Leasing Co., Ltd at the exclusion from scope of consolidation us as follows:

	2024	
	(Millions of yen)	(Thousands of U.S. dollars)
Current Assets	¥247,820	\$1,636,860
Investment and other assets	¥21,541	\$142,279
Current liability	(¥229,542)	(\$1,516,132)
Long-term liability	(¥25,228)	(\$166,637)
Non-controlling interests	(¥7,295)	(\$48,184)
Post-sale investment account	(¥3,313)	(\$21,886)
Gain on sales of shares of subsidiaries	¥879	\$5,808
Other	¥2	\$15
Sale price of shares	¥4,863	\$32,122
Cash and cash equivalents	(¥5,321)	(\$35,151)
Net cash proceeds from sale of shares of subsidiaries	(¥458)	(\$3,028)

20. Cash Flows (Continued)

Proceeds from sales of shares of Orico Business Leasing Co., Ltd at the exclusion from scope of consolidation us as follows:

	2024	
	(Millions of yen)	(Thousands of U.S. dollars)
Current Assets	¥78,271	\$516,986
Investment and other assets	¥35	\$235
Current liability	(¥75,746)	(\$500,307)
Long-term liability	¥0	\$0
Non-controlling interests	(¥1,280)	(\$8,457)
Post-sale investment account	(¥278)	(\$1,838)
Gain on sales of shares of subsidiaries	¥166	\$1,100
Other	¥0	\$3
Sale price of shares	¥1,169	\$7,724
Cash and cash equivalents	(¥42)	(\$278)
Net cash proceeds from sale of shares of subsidiaries	¥1,127	\$7,445

21. Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Net operating loss carryforwards (Note)	¥101,302	¥83,320	\$669,102
Interest in excess of the limitation of foreign companies	17,554	6,860	115,945
Bad debt loss	6,880	6,438	45,448
Deferred income	5,824	8,126	38,472
Loss on valuation of investment securities	4,116	4,714	27,186
Liability for employees' retirement benefits	3,494	3,724	23,079
Tax adjustments for lease transactions	2,880	2,686	19,028
Loss on valuation of property and equipment	2,868	2,732	18,947
Allowance for doubtful accounts	2,729	3,421	18,031
Valuation difference due to business combination	2,499	3,010	16,507
Accrued expenses	1,925	2,446	12,718
Depreciation	1,436	1,273	9,487
Accrued bonuses	1,264	1,336	8,350
Other	24,566	22,447	162,262
Subtotal	179,343	152,540	1,184,569
Valuation allowance for net operating loss carryforwards (Note)	(4,697)	(6,394)	(31,029)
Valuation allowance for deductible temporary difference	(11,632)	(10,629)	(76,830)
Total valuation allowance	(16,330)	(17,023)	(107,860)
Total deferred tax assets	163,013	135,516	1,076,708
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	(142,069)	(105,771)	(938,372)
Unrealized loss on available-for-sale securities	(16,839)	(9,809)	(111,227)
Valuation difference due to business combination	(13,535)	(14,400)	(89,402)
Valuation difference due to reorganization	(5,329)	(5,599)	(35,202)
Other	(17,268)	(12,755)	(114,057)
Total deferred tax liabilities	(195,043)	(148,337)	(1,288,263)
Net deferred tax assets	¥(32,029)	¥(12,820)	\$(211,554)

The statutory effective tax rates are 30.6% in years ended March 31, 2024 and 2023.

21. Income Taxes (continued)

(Note): A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2024 and 2023 were as follows:

	As of March 31, 2024						Total
	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	
	(Millions of yen)						
Net operating loss carryforwards(*1)	¥69	¥56	¥116	¥10	¥152	¥100,896	¥101,302
Valuation allowance	(10)	(48)	(4)	(2)	(148)	(4,483)	(4,697)
Deferred tax assets	¥58	¥8	¥111	¥7	¥4	¥96,413	¥96,604

(*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 ¥101,302 million (the amount multiplied by the effective statutory tax rate) is calculated as deferred tax assets of ¥96,604 million for the year ended March 31, 2024. 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.

	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
	(Millions of yen)						
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	¥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.

21. Income Taxes (continued)

	As of March 31, 2024						Total
	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	
	(Thousands of U.S. dollars)						
Net operating loss carryforwards(*1)	\$458	\$376	\$768	\$68	\$1,005	\$666,425	\$669,102
Valuation allowance	(70)	(317)	(31)	(17)	(979)	(29,613)	(31,029)
Deferred tax assets							(*2)
	\$387	\$58	\$736	\$50	\$26	\$636,811	\$638,072

(*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 \$669,102 thousand (the amount multiplied by the effective statutory tax rate) is calculated as deferred tax assets of \$638,072 thousand for the year ended March 31, 2024. 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
Statutory effective tax rate	30.6%
(Adjustments)	
Russia-related losses	17.2%
Loss on valuation of investment in securities of foreign subsidiaries	11.8%
Other	(0.4)%
Effective tax rate after the application of tax-effect accounting	59.2%

The reconciliations between the statutory effective tax rates and the effective tax rates for the year ended March 31, 2024 was not presented because the difference between the statutory effective tax rates and the effective tax rates is less than 5%.

22. Asset retirement obligations

The balance of asset retirement obligations is not presented as the amounts for the years ended March 31, 2024 and 2023 were immaterial.

23. 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, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥15,848	¥15,380	\$104,678
Service cost	908	948	6,002
Interest cost	122	98	808
Actuarial gain and loss	(860)	(111)	(5,683)
Retirement benefits paid	(876)	(584)	(5,790)
Adjustment from the simplified method to the principle method	—	116	—
Balance at the end of the year	¥15,142	¥15,848	\$100,014

23. Retirement Benefit Plans (continued)

The changes in plan assets during the years ended March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥5,512	¥5,357	\$36,409
Expected return on plan assets	97	96	640
Actuarial gain and loss	297	10	1,967
Contributions by the Company	149	154	984
Retirement benefits paid	(278)	(106)	(1,838)
Balance at the end of the year	¥5,778	¥5,512	\$38,163

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2024 and 2023 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligation	¥6,816	¥7,078	\$45,026
Plan assets at fair value	(5,778)	(5,512)	(38,163)
	1,038	1,566	6,862
Unfunded retirement benefit obligation	8,325	8,769	54,988
Net liability for retirement benefits in the balance sheet	9,364	10,335	61,850
Liability for employees' retirement benefits	9,626	10,507	63,586
Assets for employees' retirement benefits	(262)	(171)	(1,735)
Net liability for retirement benefits in the balance sheet	¥9,364	¥10,335	\$61,850

23. Retirement Benefit Plans (continued)

The components of retirement benefit expense for the years ended March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥908	¥948	\$6,002
Interest cost	122	98	808
Expected return on plan assets	(97)	(96)	(640)
Amortization of actuarial gain and loss	(104)	22	(692)
Amortization of prior service cost	31	74	211
Retirement benefit expense	¥861	¥1,047	\$5,689

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Prior service cost	¥31	¥74	\$211
Actuarial gain and loss	1,040	131	6,870
Total	¥1,072	¥205	\$7,082

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized prior service cost	¥(54)	¥(24)	\$(359)
Unrecognized actuarial gain and loss	(1,246)	(211)	(8,234)
Total	¥(1,301)	¥(236)	\$(8,594)

23. Retirement Benefit Plans (continued)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2024 and 2023 were as follows:

	2024	2023
General accounts	24%	25%
Debt investments	45%	43%
Equity investments	25%	22%
Others	6%	10%
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:

		2024	2023
Discount rates	Mainly	0.2% - 1.6%	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	0.4% - 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, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥1,790	¥1,902	\$11,827
Retirement benefits expense	271	270	1,795
Retirement benefits paid	(315)	(265)	(2,082)
Adjustment from the simplified method to the principle method	—	(116)	—
Balance at the end of the year	¥1,747	¥1,790	\$11,540

23. Retirement Benefit Plans (continued)

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2024 and 2023 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Funded retirement benefit obligation	¥461	¥469	\$3,050
Plan assets at fair value	(41)	(26)	(271)
Subtotal	420	443	2,778
Unfunded retirement benefit obligation	1,326	1,347	8,761
Net liability for retirement benefits in the balance sheet	1,747	1,790	11,540
Liability for retirement benefits	1,754	1,796	11,588
Asset for retirement benefits	(7)	(5)	(48)
Net liability for retirement benefits in the balance sheet	¥1,747	¥1,790	\$11,540

Net periodic retirement benefit costs for the years ended March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Net periodic retirement benefit costs	¥271	¥270	\$1,795

4. Defined Contribution Plans

Contributions to the defined contribution pension plan by the Company and its consolidated subsidiaries during the years ended March 31, 2024 and 2023 were ¥1,727 million (\$11,408 thousand) and ¥1,655 million, respectively.

Contribution of the amount equivalent to the risk-based premium has ended in the fiscal year ended March 31, 2023.

24. Lease Transactions (Lessees' accounting)

The Group leases equipment under finance leases that do not transfer ownership of the leased property to the lessees. 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, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Due within 1 year	¥2,582	¥2,506	\$17,057
Due after 1 year	4,784	6,822	31,603
Total	¥7,367	¥9,328	\$48,660

(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, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Future lease receivables	¥1,227,442	¥1,406,876	\$8,107,284
Estimated residual value	75,773	67,748	500,486
Less : Future interest income	(98,101)	(97,684)	(647,962)
Total	¥1,205,114	¥1,376,941	\$7,959,808

The aggregate annual maturity of finance lease receivables that transfer ownership to lessees, subsequent to March 31, 2024 and 2023 was as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Due within 1 year	¥61,919	¥66,934	\$408,982
Due after 1 to 2 years	50,089	47,950	330,843
Due after 2 to 3 years	35,563	34,865	234,896
Due after 3 to 4 years	23,934	22,061	158,090
Due after 4 to 5 years	12,940	12,483	85,473
Due after 5 years	19,064	21,599	125,922
Total	¥203,513	¥205,895	\$1,344,209

24. Lease Transactions (continued)

The aggregate annual maturity of finance lease receivables that do not transfer ownership to lessees, subsequent to March 31, 2024 and 2023 was as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Due within 1 year	¥333,726	¥375,605	\$2,204,269
Due after 1 to 2 years	325,478	365,846	2,149,793
Due after 2 to 3 years	230,474	259,187	1,522,286
Due after 3 to 4 years	145,348	164,103	960,029
Due after 4 to 5 years	76,414	101,362	504,720
Due after 5 years	116,000	140,770	766,185
Total	¥1,227,442	¥1,406,876	\$8,107,284

The future minimum lease income subsequent to March 31, 2024 and 2023 under non-cancellable operating leases were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Due within 1 year	¥307,234	¥285,587	\$2,029,290
Due after 1 year	1,058,805	954,359	6,993,434
Total	¥1,366,040	¥1,239,947	\$9,022,724

(Sublease)

Investment in leases and obligations under sublease transactions that include interests on the consolidated balance sheet as of March 31, 2024 and 2023 were as follows:

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Investment in leases	¥25,352	¥23,424	\$167,453
Lease obligations	25,365	23,445	167,538

25. Commitments and Contingent Liabilities

The Companies' contingent liabilities as of March 31, 2024 and 2023 were as follows:

(Guarantee as business transactions)

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Business guarantee (including guarantee reservation)	¥184,510	¥155,687	\$1,218,693
Asset purchases (including guarantee reservation)	5,840	4,691	38,577
Total	¥190,350	¥160,378	\$1,257,271

(Guarantee on affiliates' loans from financial institution)

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
ZAXIS Financial Services Americas, LLC	¥18,563	¥—	\$122,610
MTC Maritime B.V.	14,641	—	96,705
IHI Investment for Aero Engine Leasing LLC	6,931	6,436	45,779
ITOCHU TC Construction Machinery Co., Ltd.	5,050	3,750	33,355
Hyuga Biomass Power Co., Ltd.	2,030	997	13,409
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.	92	155	610
Other	—	89	—
Total	¥47,308	¥11,427	\$312,471

(Guarantee on employees' loans)

	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Employees (housing funds)	¥5	¥11	\$35

The Companies, as lenders, have loan commitment agreements as of March 31, 2024 and 2023 amounting to ¥19,788 million (\$130,700 thousand) and ¥28,506 million, respectively. The loans provided under these credit facilities as of March 31, 2024 and 2023 amounted to ¥11,056 million (\$73,027 thousand) and ¥20,290 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.

26. 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.

26. Financial Instruments (continued)

(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 principle. 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.

26. Financial Instruments (continued)

(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, 2024, 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 ¥4,578 million (\$30,241 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.

26. Financial Instruments (continued)

The following table presents the carrying value and estimated fair value of financial instruments as of March 31, 2024 and 2023. 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.

As of March 31, 2024	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
Assets			
(1)Accounts receivable-installment sales	¥167,071		
Deferred profit on installment sales	(15,463)		
Subtotal	151,608		
Allowance for doubtful accounts(*1)	(565)		
Subtotal	151,043	160,896	9,853
(2) Accounts receivable-lease receivables and investment in leases	1,391,310		
Estimated residual value(*2)	(75,773)		
Subtotal	1,315,536		
Allowance for doubtful accounts(*1)	(1,163)		
Subtotal	1,314,372	1,385,643	71,271
(3) Accounts receivable-loans	435,091		
Allowance for doubtful accounts(*1)	(1,958)		
Subtotal	433,133	460,957	27,824
(4) Operational investment securities	117,038	117,038	—
(5) Short-term investment securities and investments in securities(*4)	45,092	45,396	303
(6) Claims provable in bankruptcy or rehabilitation	7,627		
Allowance for doubtful accounts(*1)	(4,790)		
Subtotal	2,837	2,837	—
Total assets	¥2,063,518	¥2,172,770	¥109,252
Liabilities			
(1) Bonds	1,219,369	1,197,168	22,200
(2) Long-term loans, principally from banks	2,757,880	2,755,367	2,513
(3) Long-term payables under securitized lease receivables	6,310	6,276	33
(4) Lease obligations	29,880	29,292	587
Total liabilities	¥4,013,440	¥3,988,105	¥25,335
Derivatives			
Hedge accounting not applied	¥(1,837)	¥(1,837)	¥—
Hedge accounting applied	16,329	16,283	(45)
Total derivatives	¥14,491	¥14,446	¥(45)

(*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.

26. Financial Instruments (continued)

- (*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.

	2024	2024
	(Millions of yen)	(Thousands of U.S. dollars)
Investments in securities without market price, etc.	¥371,003	\$2,450,487
Investments in limited partnerships, etc.	278,874	1,841,973
Total	¥649,878	\$4,292,461

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 14 Derivatives regarding the details of derivative transactions.

26. Financial Instruments (continued)

As of March 31, 2023	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
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.

26. Financial Instruments (continued)

- (*3) The amount of investment in securities without market price, etc. and investment 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.

	2023
	<i>(Millions of yen)</i>
Investments in securities without market price, etc.	¥305,125
Investments in limited partnerships, etc.	213,925
Total	¥519,050

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 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

- (*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 14 Derivatives regarding the details of derivative transactions.

26. Financial Instruments (continued)

As of March 31, 2024

	Carrying value	Estimated fair value	Difference
	(Thousands of U.S. dollars)		
Assets			
(1) Accounts receivable-installment sales	\$1,103,512		
Deferred profit on installment sales	(102,136)		
Subtotal	1,001,375		
Allowance for doubtful accounts(*1)	(3,732)		
Subtotal	997,643	1,062,727	65,083
(2) Accounts receivable-lease receivables and investment in leases	9,189,631		
Estimated residual value(*2)	(500,486)		
Subtotal	8,689,145		
Allowance for doubtful accounts(*1)	(7,686)		
Subtotal	8,681,458	9,152,204	470,746
(3) Accounts receivable-loans	2,873,788		
Allowance for doubtful accounts(*1)	(12,935)		
Subtotal	2,860,852	3,044,633	183,780
(4) Operational investment securities	773,042	773,042	—
(5) Short-term investment securities and investments in securities(*4)	297,837	299,842	2,005
(6) Claims provable in bankruptcy or rehabilitation	50,381		
Allowance for doubtful accounts(*1)	(31,639)		
Subtotal	18,742	18,742	—
Total assets	\$13,629,577	\$14,351,194	\$721,616
Liabilities			
(1) Bonds	8,053,956	7,907,323	146,633
(2) Long-term loans, principally from banks	18,215,858	18,199,254	16,604
(3) Long-term payables under securitized lease receivables	41,677	41,456	221
(4) Lease obligations	197,361	193,479	3,882
Total liabilities	\$26,508,853	\$26,341,512	\$167,340
Derivatives			
Hedge accounting not applied	\$(12,135)	\$(12,135)	\$—
Hedge accounting applied	107,853	107,554	(299)
Total derivatives	\$95,718	\$95,419	\$(299)

26. Financial Instruments (continued)

(Note 1) Redemption schedule for receivables and securities with maturities subsequent to March 31, 2024 and 2023 respectively

	As of March 31, 2024					
	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
	(Millions of yen)					
Cash and cash equivalents	¥183,925	¥—	¥—	¥—	¥—	¥—
Time deposits other than cash equivalents	9,933	—	—	—	—	—
Accounts receivable-installment sales	53,910	40,466	29,746	22,411	12,196	8,340
Accounts receivable-loans	169,591	81,047	55,971	35,078	20,989	72,413
Operational investment securities:						
Available-for-sale securities with maturities						
(1) Bonds	7,506	—	—	—	—	—
(2) Other	2,762	7,292	5,155	5,382	7,019	43,178
Short-term investment securities and investments in securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	—	—	—	—
(2) Other	100	—	—	—	—	1,397
Total	¥427,730	¥128,806	¥90,874	¥62,872	¥40,205	¥125,329

26. Financial Instruments (continued)

	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
	(Millions of yen)					
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

26. Financial Instruments (continued)

	As of March 31, 2024					
	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
	(Thousands of U.S. dollars)					
Cash and cash equivalents	\$1,214,833	\$—	\$—	\$—	\$—	\$—
Time deposits other than cash equivalents	65,609	—	—	—	—	—
Accounts receivable-installment sales	356,078	267,284	196,476	148,028	80,557	55,086
Accounts receivable-loans	1,120,154	535,321	369,693	231,692	138,636	478,291
Operational investment securities:						
Available-for-sale securities with maturities						
(1) Bonds	49,582	—	—	—	—	—
(2) Other	18,247	48,164	34,055	35,551	46,364	285,194
Short-term investment securities and investments in securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	—	—	—	—
(2) Other	660	—	—	—	—	9,231
Total	\$2,825,166	\$850,770	\$600,225	\$415,273	\$265,557	\$827,803

(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 13 Short-Term Borrowings, Long-Term Debt and Assets Pledged and Note 24 Lease Transactions, respectively.

26. Financial Instruments (continued)

(Note 2) Repayment schedule of bonds, long-term debt and other interest-bearing liabilities on March 31, 2024 and 2023 respectively

	As of March 31, 2024					
	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
	(Millions of yen)					
Short-term borrowings	¥412,825	¥—	¥—	¥—	¥—	¥—
Commercial paper	343,609	—	—	—	—	—
Current portion of long-term payables under fluidity lease receivables	9,000	—	—	—	—	—
Bonds	240,695	142,750	252,018	145,881	210,143	227,878
Long-term debt	732,254	682,984	807,298	207,456	149,950	177,936
Long-term payables under fluidity lease receivables	2,460	2,400	1,345	105	—	—
Lease obligations	9,560	7,382	5,678	3,528	1,934	1,797
Total	¥1,750,405	¥835,518	¥1,066,339	¥356,971	¥362,028	¥407,612

	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
	(Millions of yen)					
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

26. Financial Instruments (continued)

	As of March 31, 2024					
	Due within 1 Year	Due after 1 to 2 Years	Due after 2 to 3 Years	Due after 3 to 4Years	Due after 4 to 5 Years	Due after 5 Years
	(Thousands of U.S. dollars)					
Short-term borrowings	\$2,726,721	\$—	\$—	\$—	\$—	\$—
Commercial paper	2,269,548	—	—	—	—	—
Current portion of long-term payables under fluidity lease receivables	59,445	—	—	—	—	—
Bonds	1,589,797	942,872	1,664,586	963,552	1,388,004	1,505,142
Long-term debt	4,836,555	4,511,128	5,332,221	1,370,252	990,426	1,175,274
Long-term payables under fluidity lease receivables	16,248	15,852	8,883	693	—	—
Lease obligations	63,145	48,761	37,504	23,304	12,774	11,872
Total	\$11,561,462	\$5,518,614	\$7,043,195	\$2,357,802	\$2,391,205	\$2,692,289

26. Financial Instruments (continued)

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, 2024 and 2023 respectively.

	As of March 31, 2024			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Operational investment Securities:				
Available-for-sale securities				
Equity securities	¥37,427	¥—	¥—	¥37,427
Bonds	—	—	7,506	7,506
Others (Note 1)	37,120	—	7,662	44,782
Short-term investment securities and investments in securities				
Available-for-sale securities				
Equity securities	43,358	115	—	43,473
Bonds	—	—	366	366
Others	—	809	—	809
Total assets	¥117,906	¥924	¥15,535	¥134,366
Derivative transaction (Note 2)				
Currency swap	¥—	¥10,313	¥—	¥10,313
Interest rate swap	—	4,133	—	4,133
Total derivative transactions	¥—	¥14,446	¥—	¥14,446

26. Financial Instruments (continued)

(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 ¥27,321 million.

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.

As of March 31, 2024							
Beginning balance	Profit (loss) of current fiscal year or other comprehensive income (loss)		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.
	Recorded on profit	Recorded on other comprehensive income (Note 3)					
(Millions of yen)							
¥26,196	¥—	¥404	¥720	¥—	¥—	¥27,321	¥—

(Note 2)

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 3)

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

26. Financial Instruments (continued)

	As of March 31, 2023			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
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 2)				
Currency swap	¥—	¥5,103	¥—	¥5,103
Interest rate swap	—	3,642	—	3,642
Total derivative transactions	¥—	¥8,745	¥—	¥8,745

26. Financial Instruments (continued)

(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.

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.

As of March 31, 2023							
Beginning balance	Profit (loss) of current fiscal year or other comprehensive income (loss)		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.
	Recorded on profit	Recorded on other comprehensive income (Note 3)					
(Millions of yen)							
¥19,928	¥—	¥1,024	¥5,244	¥—	¥—	¥26,196	¥—

(Note 2)

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 3)

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

26. Financial Instruments (continued)

	As of March 31, 2024			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Operational investment Securities				
Available-for-sale securities				
Equity securities	\$247,209	\$—	\$—	\$247,209
Bonds	—	—	49,582	49,582
Others (Note 1)	245,181	—	50,609	295,790
Securities and investments in securities:				
Available-for-sale securities				
Equity securities	286,381	764	—	287,146
Bonds	—	—	2,423	2,423
Others	—	5,344	—	5,344
Total assets	\$778,772	\$6,108	\$102,614	\$887,496
Derivative transactions (Note 2)				
Currency swap	\$—	\$68,118	\$—	\$68,118
Interest rate swap	—	27,300	—	27,300
Total derivative transactions	\$—	\$95,419	\$—	\$95,419

26. Financial Instruments (continued)

(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 \$180,460 thousand.

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.

As of March 31, 2024							
Beginning balance	Profit (loss) of current fiscal year or other comprehensive income (loss)		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.
	Recorded on profit	Recorded on other comprehensive income (Note 3)					
(Thousands of U.S. dollars)							
\$173,031	\$—	\$2,670	\$4,758	\$—	\$—	\$180,460	\$—

(Note 2)

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 3)

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

26. Financial Instruments (continued)

The following table presents the estimated fair value of financial instruments which are not booked on the consolidated balance sheet as of March 31, 2024 and 2023 respectively.

	As of March 31, 2024			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Accounts receivable of installment sales	¥—	¥—	¥160,896	¥160,896
Lease receivables and investment in leases	—	—	1,385,643	1,385,643
Loans	—	—	460,957	460,957
Securities and investments in securities:				
Investments in affiliates	746	—	—	746
Claims provable in bankruptcy or rehabilitation	—	—	2,837	2,837
Total assets	¥746	¥—	¥2,010,335	¥2,011,082
Bonds	¥—	¥1,197,168	¥—	¥1,197,168
Long-term debt	—	2,755,367	—	2,755,367
Long-term payables under fluidity lease receivables	—	6,276	—	6,276
Lease obligations	—	29,292	—	29,292
Total liabilities	¥—	¥3,988,105	¥—	¥3,988,105

	As of March 31, 2023			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
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

26. Financial Instruments (continued)

	As of March 31, 2024			
	Estimated fair value			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Accounts receivable of installment sales	\$—	\$—	\$1,062,727	\$1,062,727
Lease receivables and investment in leases	—	—	9,152,204	9,152,204
Loans	—	—	3,044,633	3,044,633
Securities and investments in securities:				
Investments in affiliates	4,928	—	—	4,928
Claims provable in bankruptcy or rehabilitation	—	—	18,742	18,742
Total assets	\$4,928	\$—	\$13,278,308	\$13,283,237
Bonds	\$—	\$7,907,323	\$—	\$7,907,323
Long-term debt	—	18,199,254	—	18,199,254
Long-term payables under fluidity lease receivables	—	41,456	—	41,456
Lease obligations	—	193,479	—	193,479
Total liabilities	\$—	\$26,341,512	\$—	\$26,341,512

(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.

26. Financial Instruments (continued)

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, 2024 and 2023

Fiscal year	Classification	Valuation method	Significant unobservable input	Input range	Weighted average of input
As of March 31, 2024	Operational investment securities, Available-for-sale securities and private placement bonds etc.	Discounted cash flow method	Discount rate	2.79%-7.62%	5.26%
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%

26. Financial Instruments (continued)

- 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

	As of March 31, 2024						
	Beginning balance	Profit (loss) of current fiscal year or other comprehensive income (loss)		Net amount of purchase, proceed, issuance and settlement	Transferred amount to level 3	Transferred amount from level 3	Ending balance
		Recorded on profit (loss) (Note 1)	Recorded on other comprehensive income(loss) (Note 2)				
	(Millions of yen)						
Operational investment securities and Available-for-sale securities							
Bonds	¥6,476	¥—	¥1,030	¥—	¥—	¥—	¥7,506
Others	10,929	—	(31)	(3,235)	—	—	7,662
Short-term investment securities and investments in securities							
Available-for-sale securities							
Others	928	(274)	—	(287)	—	—	366
Total	¥18,335	¥(274)	¥998	¥(3,523)	¥—	¥—	¥15,535

26. Financial Instruments (continued)

	As of March 31, 2023					
Beginning balance	Profit (loss) of current fiscal year or other comprehensive income (loss)		Net amount of purchase, proceed, issuance and settlement	Transferred amount to level 3	Transferred amount from level 3	Ending balance
	Recorded on profit (loss)	Recorded on other comprehensive income(loss) (Note 2)				
(Millions of yen)						
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

26. Financial Instruments (continued)

	As of March 31, 2024					
Beginning balance	Profit (loss) of current fiscal year or other comprehensive income (loss)		Net amount of purchase, proceed, issuance and settlement	Transferred amount to level 3	Transferred amount from level 3	Ending balance
	Recorded on profit (loss) (Note 1)	Recorded on other comprehensive income(loss) (Note 2)				
	(Thousands of U.S. dollars)					
Operational investment securities and Available-for-sale securities						
Bonds	\$42,776	\$—	\$6,806	\$—	\$—	\$49,582
Others	72,192	—	(210)	(21,372)	—	50,609
Short-term investment securities and investments in securities						
Available-for-sale securities						
Others	6,135	(1,810)	—	(1,902)	—	2,423
Total	\$121,104	\$(1,810)	\$6,595	\$(23,274)	\$—	\$102,614

(Note 1)

Loss on financial assets and liabilities held for the fiscal year ended March, 31 2024 was ¥274 million (\$1,810 thousand)

(Note 2)

The amount is included in Consolidated Statement of Income

(Note 3)

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.

26. Financial Instruments (continued)

- 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.

27. Dividends

(1) Dividends paid to shareholders

For the year ended March 31, 2024

(Date of approval)	Type of shares	Amount (Millions of yen) (Thousands of U.S. dollars)	Dividends per share (Note) (Yen) (U.S. dollars)	Shareholders' cut-off date	Effective date
Resolution approved by					
(June 26, 2023)	Common	¥8,812	¥72.0	March 31, 2023	June 27, 2023
Annual general meeting of the shareholders	stock	\$58,209	(¥18.0) \$0.47 (\$0.11)		
(November 10, 2023)	Common	¥12,241	¥100.0	September 30, 2023	December 5, 2023
Meeting of the Board of Directors	stock	\$80,854	(¥25.0) \$0.66 (\$0.16)		

For the year ended March 31, 2023

(Date of approval)	Type of shares	Amount (Millions of yen)	Dividends per share (Note) (Yen)	Shareholders' cut-off date	Effective date
Resolution approved by					
(June 27, 2022)	Common	¥8,798	¥72.0	March 31, 2022	June 28, 2022
Annual general meeting of the shareholders	stock		(¥18.0)		
(November 7, 2022)	Common	¥8,690	¥71.0	September 30, 2022	December 6, 2022
Meeting of the Board of Directors	stock		(¥17.75)		

(Note) The Company conducted a 4-for-1 stock split of its common shares effective January 1, 2024. Dividends per share above table are the amount before (after) the stock split.

27. Dividends (continued)

- (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 24, 2024) Annual general meeting of the shareholders	Common stock (Retained earnings)	¥13,220 \$87,322	¥27.0 \$0.17	March 31, 2024	June 25, 2024

28. 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. The Company conducted a 4-for-1 stock split of its common shares effective January 1, 2024.

(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.

28. Equity (continued)

(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.

29. 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, 2024 were as follows. The Company conducted a 4-for-1 stock split of its common shares effective January 1, 2024. The following are figures reflecting the stock split.

	2013 stock option	2014 stock option	2015 stock option
Persons granted	7 directors 22 executive officers	7 directors 20 executive officers	7 directors 19 executive officers 6 eligible employees
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock 454,800	Common stock 237,200	Common stock 304,000
Grant date	October 15, 2012	September 24, 2013	September 29, 2014
Fair value per stock at the grant date	¥327 (\$3.47)	¥760 (\$7.38)	¥679 (\$5.64)
	2016 stock option	2017 stock option	2018 stock option
Persons granted	7 directors 20 executive officers 7 eligible employees	8 directors 19 executive officers 7 eligible employees	8 directors 17 executive officers 7 eligible employees
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock 298,400	Common stock 330,800	Common stock 302,800
Grant date	October 26, 2015	September 21, 2016	September 27, 2017
Fair value per stock at the grant date	¥951 (\$8.44)	¥852 (\$7.58)	¥1,142 (\$10.74)

29. Stock Based Compensation (continued)

	2019 stock option	2020 stock option	2021 stock option
Persons granted	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
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock 381,200	Common stock 560,000	Common stock 364,800
Grant date	August 21, 2018	September 26, 2019	August 24, 2020
Fair value per stock at the grant date	¥1,342 (\$12.09)	¥1,214 (\$11.15)	¥1,298 (\$11.72)

	2022 stock option	2023 stock option	2024 stock option
Persons granted	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	5 directors 17 executive officers 19 eligible employees 4 directors and executive officers of subsidiaries
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock 306,000	Common stock 361,200	Common stock 218,400
Grant date	August 24, 2021	August 23, 2022	August 28, 2023
Fair value per stock at the grant date	¥1,333 (\$10.88)	¥1,105 (\$8.27)	¥1,206 (\$7.96)

The total stock-based compensation costs recognized for the years ended March 31, 2024 and 2023 were ¥263 million (\$1,738 thousand) and ¥398 million, respectively.

The fair value of the 2024 stock option is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table.

	2024 stock option
Expected volatility	38.50%
Estimated remaining outstanding period	3.5 years
Expected dividend	¥200 per share
Risk free interest rate	0.07%

29. Stock Based Compensation (continued)

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 ¥200 (\$1.32) made for the year ended March 31, 2024 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, 2024 was as follows. The Company conducted a 4-for-1 stock split of its common shares effective January 1, 2024. The following are figures reflecting the stock split.

Stock option activity	Number of shares			
	2013 stock option	2014 stock option	2015 stock option	2016 stock option
Share subscription rights which are not yet vested				
Outstanding as of March 31, 2023	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding as of March 31, 2024	—	—	—	—
Share subscription rights which have already been vested				
Outstanding as of March 31, 2023	98,000	53,600	74,400	76,800
Vested	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding as of March 31, 2024	98,000	53,600	74,400	76,800
Exercise price (yen)	¥1	¥1	¥1	¥1
Weighted average exercise price (yen)	¥—	¥—	¥—	¥—
Weighted average fair value per stock at the grant date (yen)	¥327	¥760	¥679	¥951
Exercise price (U.S. dollars)	\$0	\$0	\$0	\$0
Weighted average exercise price (U.S. dollars)	\$—	\$—	\$—	\$—
Weighted average fair value per stock at the grant date (U.S. dollars)	\$2.15	\$5.01	\$4.48	\$6.28

29. Stock Based Compensation (continued)

Stock option activity	2017 stock option	2018 Stock option	2019 Stock option	2020 Stock Option
Share subscription rights which are not yet vested				
Outstanding as of March 31, 2023	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding as of March 31, 2024	—	—	—	—
Share subscription rights which have already been vested				
Outstanding as of March 31, 2023	97,200	96,800	171,600	292,400
Vested	—	—	—	—
Exercised	7,200	6,400	5,600	10,000
Forfeited	—	—	—	—
Outstanding as of March 31, 2024	90,000	90,400	166,000	282,400
Exercise price (yen)	¥1	¥1	¥1	¥1
Weighted average exercise price (yen)	¥1,125	¥1,125	¥1,125	¥1,125
Weighted average fair value per stock at the grant date (yen)	¥852	¥1,142	¥1,342	¥1,214
Exercise price (U.S. dollars)	\$0	\$0	\$0	\$0
Weighted average exercise price (U.S. dollars)	\$7.43	\$7.43	\$7.43	\$7.43
Weighted average fair value per stock at the grant date (U.S. dollars)	\$5.62	\$7.54	\$8.86	\$8.01

29. Stock Based Compensation (continued)

Stock option activity	2021 Stock Option	2022 Stock Option	2023 Stock Option	2024 Stock Option
Share subscription rights which are not yet vested				
Outstanding as of March 31, 2023	—	—	—	—
Granted	—	—	—	218,400
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding as of March 31, 2024	—	—	—	218,400
Share subscription rights which have already been vested				
Outstanding as of March 31, 2023	253,200	252,800	361,200	—
Vested	—	—	—	—
Exercised	6,800	5,600	11,600	—
Forfeited	—	—	—	—
Outstanding as of March 31, 2024	246,400	247,200	349,600	218,400
Exercise price (yen)	¥1	¥1	¥1	¥1
Weighted average exercise price (yen)	¥1,125	¥1,125	¥1,125	¥—
Weighted average fair value per stock at the grant date (yen)	¥1,298	¥1,333	¥1,105	¥1,206
Exercise price (U.S. dollars)	\$0	\$0	\$0	\$0
Weighted average exercise price (U.S. dollars)	\$7.43	\$7.43	\$7.43	\$—
Weighted average fair value per stock at the grant date (U.S. dollars)	\$8.57	\$8.80	\$7.29	\$7.96

30. 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 ¥9,479 million (\$62,612 thousand) and ¥11,213 million for the years ended March 31, 2024 and 2023, 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, 2024 and 2023 were as follows:

Year ended March 31, 2024			
Carrying Value			Fair Value
Beginning of year	Net change	End of year	End of year
(Millions of yen)			
¥249,092	¥33,604	¥282,696	¥304,534

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

Year ended March 31, 2024			
Carrying Value			Fair Value
Beginning of year	Net change	End of year	End of year
(Thousands of U.S. dollars)			
\$1,645,258	\$221,956	\$1,867,214	\$2,011,454

(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 ¥40,446 million (\$267,150 thousands) and ¥54,001 million, a decrease mainly due to the sales of real estate in the amount of ¥4,935 million (\$32,598 thousands) and ¥28,027 million and change in the purpose of ownership in the amount of ¥- million (\$- thousand) and ¥ 9,600 million for the year ended March 31, 2024 and 2023.
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.

31. 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 "Equipment Leasing Business", the "Automobility Business", the "Specialty Financing Business", "International Business" and the "Environmental Infrastructure Business" constitute the Company's reportable segments.

- | | |
|----------------------------------|--|
| (1) Equipment Leasing | - 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) Automobility | - 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 and real estate 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 |
| (5) Environmental Infrastructure | - Electric power generation business and leasing and finance (money-lending and investment) including ancillary services and other businesses related to renewable energy, etc. in Japan and overseas |

With the organizational change on April 1, 2023, the Group separated and newly established the Environmental Infrastructure segment from the Specialty Financing segment with the aim of strengthening and expanding environmental energy businesses, such as renewable energy in Japan and overseas, to strongly support business strategy toward decarbonization, and changed its operating segments and other matters. With regard to the Mobility & Fleet Management segment, we renamed it to the Automobility segment. In addition, in the Medium Term Management Plan 2027 adopted by the Company's Board of Directors meeting held on May 12, 2023, we decided to align financial targets with net income-based figures. In line with these changes, effective from the first quarter of the fiscal year ended March 31, 2024, the Group changed the reportable segments to the five segments, Equipment Leasing, Automobility, Specialty Financing, International Business, and Environmental Infrastructure. In addition, segment income was changed from ordinary income to net income attributable to owners of parent.

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 net income attributable to owners of parent. Intersegment revenues and transfers are based on prevailing market prices.

31. Segment Information (continued)

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

	Year ended March 31, 2024									
	Reportable segments							Subtotal	Adjust- ments (Note 2)	Total after adjust- ments (Note 3)
	Equipment Leasing	Auto mobility	Specialty Financing	Inter- national	Environ- mental Infra- structure	Total of reportable segments	Others (Note 1)			
(Millions of yen)										
Revenues										
Revenue from customers(Note 4)	¥458,612	¥337,165	¥312,184	¥177,392	¥59,655	¥1,345,011	¥1,102	¥1,346,113	¥—	¥1,346,113
Inter-segment revenues	367	923	190	163	0	1,646	442	2,088	(2,088)	—
Total revenues	¥458,980	¥338,089	¥312,375	¥177,555	¥59,656	¥1,346,657	¥1,544	¥1,348,202	¥(2,088)	¥1,346,113
Segment profit	¥24,154	¥16,655	¥29,977	¥10,950	¥1,892	¥83,630	¥1,082	¥84,713	¥(12,576)	¥72,136
Segment assets	¥1,273,522	¥479,003	¥2,825,264	¥822,699	¥273,921	¥5,674,410	¥46,023	¥5,720,433	¥740,496	¥6,460,930
Other items										
Depreciation and amortization	17,555	69,071	87,623	54,844	12,576	241,671	2	241,673	886	242,560
Amortization of goodwill	4	371	2,609	1,016	58	4,060	—	4,060	—	4,060
Equity in earnings (losses) of affiliates	9,076	531	6,655	680	(4)	16,938	863	17,802	—	17,802
Extraordinary income	166	1,112	22	74	377	1,753	—	1,753	375	2,129
(Gain on sale of shares of subsidiaries)	166	879	—	—	—	1,046	—	1,046	—	1,046
(Gain on sales of investment in securities)	—	4	1	1	377	385	—	385	375	760
(Other)	0	228	20	73	0	322	—	322	0	322
Extraordinary losses	1	355	937	0	91	1,386	—	1,386	46	1,432
(Loss on valuation of investment securities)	—	—	845	—	75	920	—	920	31	952
(Loss on disposal of property and equipment)	0	131	49	0	—	181	—	181	4	186
(Other)	1	223	42	—	16	283	—	283	9	293
Income taxes	6,983	10,122	14,916	5,178	1,418	38,619	11	38,630	(3,154)	35,476
Investment in equity-method affiliates	132,526	3,849	130,817	20,753	9,556	297,503	16,164	313,667	—	313,667
Increase in property, equipment and intangible assets (Note 5)	15,029	91,852	295,946	91,558	2,917	497,304	—	497,304	4,455	501,760

31. Segment Information (continued)

	Year ended March 31, 2023									
	Reportable segments							Subtotal	Adjust- ments (Note 2)	Total after adjust- ments (Note 3)
	Equipment Leasing	Auto mobility	Specialty Financing	Inter- national	Environ- mental Infra- structure	Total of reportable segments	Others (Note 1)			
(Millions of yen)										
Revenues										
Revenue from customers(Note 4)	¥481,467	¥353,515	¥292,801	¥144,883	¥51,301	¥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	¥292,966	¥144,966	¥51,301	¥1,325,491	¥1,342	¥1,326,833	¥(1,870)	¥1,324,962
Segment profit	¥22,886	¥12,139	¥(19,138)	¥(5,934)	¥209	¥10,162	¥4,531	¥14,693	¥(9,928)	¥4,765
Segment assets	¥1,287,080	¥611,558	¥2,490,602	¥655,683	¥277,885	¥5,322,811	¥40,964	¥5,363,776	¥718,338	¥6,082,114
Other items										
Depreciation and amortization	17,351	68,934	79,128	47,175	10,294	222,883	3	222,886	767	223,654
Amortization of goodwill	4	658	2,387	930	32	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
Extraordinary income	—	40	0	809	—	850	—	850	4,533	5,384
(Gain on sales of investment in securities)	—	0	—	401	—	401	—	401	4,533	4,934
(Other)	—	40	0	408	—	449	—	449	0	449
Extraordinary losses	18	279	74,877	653	6	75,835	—	75,835	144	75,980
(Loss on valuation of investment securities)	—	9	—	—	—	9	—	9	144	153
(Loss on disposal of property and equipment)	2	133	8	—	6	150	—	150	—	150
(Russia-related loss)	—	—	74,794	—	—	74,794	—	74,794	—	74,794
(Other)	16	136	74	653	—	880	—	880	—	880
Income taxes	7,788	8,889	145	4,015	32	20,871	138	21,010	76	21,087
Investment in equity-method affiliates	119,303	4	91,277	21,416	4,976	236,977	15,217	252,195	—	252,195
Increase in property, equipment and intangible assets (Note 5)	11,270	81,220	238,422	76,681	17,498	425,093	—	425,093	1,379	426,472

31. Segment Information (continued)

	Year ended March 31, 2024									
	Reportable segments							Adjustments		Total after adjustments
	Equipment Leasing	Auto mobility	Specialty Financing	International	Environmental Infra-structure	Total of reportable segments	Others (Note 1)	Subtotal	(Note 2)	(Note 3)
	(Thousands of U.S. dollars)									
Revenues										
Revenue from customers (Note 4)	\$3,029,145	\$2,226,987	\$2,061,983	\$1,171,681	\$394,026	\$8,883,825	\$7,279	\$8,891,104	\$0	\$8,891,104
Inter-segment revenues	2,428	6,102	1,260	1,077	5	10,874	2,923	13,797	(13,797)	0
Total revenues	\$3,031,573	\$2,233,090	\$2,063,244	\$1,172,758	\$394,032	\$8,894,699	\$10,202	\$8,904,902	\$(13,797)	\$8,891,104
Segment profit	\$159,542	\$110,012	\$197,998	\$72,327	\$12,502	\$552,383	\$7,149	\$559,533	\$(83,067)	\$476,465
Segment assets	\$8,411,642	\$3,163,825	\$18,660,927	\$5,433,945	\$1,809,255	\$37,479,596	\$303,983	\$37,783,579	\$4,890,996	\$42,674,576
Other items										
Depreciation and amortization	115,956	456,216	578,752	362,249	83,070	1,596,244	15	1,596,260	5,853	1,602,114
Amortization of goodwill	31	2,453	17,235	6,716	383	26,821	0	26,821	0	26,821
Equity in earnings (losses) of affiliates	59,949	3,509	43,959	4,495	(32)	111,881	5,705	117,586	0	117,586
Extraordinary income	1,102	7,348	145	491	2,495	11,583	—	11,583	2,480	14,064
(Gain on sale of shares of subsidiaries)	1,100	5,808	—	—	—	6,909	—	6,909	—	6,909
(Gain on sales of investment in securities)	—	32	11	8	2,492	2,544	—	2,544	2,479	5,023
(Other)	1	1,507	133	483	2	2,129	—	2,129	1	2,131
Extraordinary losses	10	2,347	6,191	1	603	9,155	—	9,155	305	9,461
(Loss on valuation of investment securities)	—	—	5,583	—	497	6,081	—	6,081	210	6,292
(Loss on disposal of property and equipment)	0	869	328	1	—	1,199	—	1,199	32	1,231
(Other)	10	1,478	279	—	106	1,874	—	1,874	62	1,937
Income taxes	46,124	66,861	98,521	34,206	9,367	255,082	74	255,157	(20,832)	234,324
Investment in equity-method affiliates	875,342	25,422	864,053	137,074	63,121	1,965,014	106,766	2,071,781	0	2,071,781
Increase in property, equipment and intangible assets (Note 5)	99,273	606,690	1,954,726	604,746	19,268	3,284,706	0	3,284,706	29,431	3,314,137

31. Segment Information (continued)

- (Note 1) "Others" include casualty insurance agency business and business-processing services business, which are not included in any reportable segment.
- (Note 2) 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 3) Segment income (loss) is adjusted with net income attributable to owners of parent shown on the consolidated statement of income.
- (Note 4) Revenues from contracts with customers included in revenues for the fiscal year ended March 31, 2024 for each of the reportable segments, i.e. Equipment Leasing, Automobility, Specialty Financing, International Business and Environmental Infrastructure were ¥1,434 million (\$9,472 thousand), ¥15,370 million (\$101,523 thousand), ¥30,130 million (\$199,009 thousand), ¥9,753 (\$64,420 thousand) and ¥54,005 million (\$356,709 thousand), respectively.
- (Note 5) "Increase in property, equipment and intangible assets" does not include increase from newly consolidated subsidiaries.

4. Information on Assets by Reportable Segment

As a result of transfer of Orico Business Leasing Co., Ltd. and Orico Auto Leasing Co., Ltd. from consolidated subsidiaries to equity-method affiliates of the Company during the second quarter of the fiscal year ended March 31, 2024, assets in the reportable segment decreased by ¥55,697 million (\$367,883 thousand) in Equipment Leasing Business and ¥144,313 (\$953,193 thousand) in Automobility Business compared to the fiscal year ended in March 31, 2023.

31. Segment Information (continued)

Information by products and services

March 31, 2024							
	Finance lease	Operating lease	Disposal of leased Property etc.	Installment sales	Finance	Other	Total
	(Millions of yen)						
Revenues from customers	¥457,716	¥431,378	¥265,545	¥25,136	¥53,873	¥112,463	¥1,346,113
	March 31, 2023						
	Finance lease	Operating lease	Disposal of leased Property etc.	Installment sales	Finance	Other	Total
	(Millions of yen)						
Revenues from customers	¥491,295	¥382,678	¥255,870	¥29,614	¥58,162	¥107,340	¥1,324,962
March 31, 2024							
	Finance lease	Operating lease	Disposal of leased Property etc.	Installment sales	Finance	Other	Total
	(Thousands of U.S. dollars)						
Revenues from customers	\$3,023,224	\$2,849,260	\$1,753,934	\$166,025	\$355,833	\$742,825	\$8,891,104

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

31. Segment Information (continued)

Geographical information

(a) Revenues

Information by geographic segment is summarized as follows:

March 31, 2024						
Japan	Europe and North America			Asia	Central and South	Total
	The U.S.	Ireland	Others		America	
(Millions of yen)						
¥963,053	¥258,259	¥6,787	¥18,509	¥47,000	¥52,502	¥1,346,113

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

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

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

March 31, 2024						
Japan	Europe and North America			Asia	Central and South America	Total
	The U.S.	Ireland	Others			
(Thousands of U.S. dollars)						
\$6,360,989	\$1,705,809	\$44,832	\$122,254	\$310,438	\$346,780	\$8,891,104

31. Segment Information (continued)

(b) Property and equipment

Information by geographic segment is summarized as follows:

March 31, 2024						
Japan	Europe and North America			Asia	Central and South America	Total
	The U.S.	Ireland	Others			
	(Millions of yen)					
¥827,455	¥1,889,381	¥58,869	¥21,166	¥37,607	¥61,501	¥2,895,981
March 31, 2023						
Japan	Europe and North America			Asia	Central and South America	Total
	The U.S.	Ireland	Others			
	(Millions of yen)					
¥811,856	¥1,586,572	¥62,712	¥17,772	¥29,716	¥46,203	¥2,554,833
March 31, 2024						
Japan	Europe and North America			Asia	Central and South America	Total
	The U.S.	Ireland	Others			
	(Thousands of U.S. dollars)					
\$5,465,360	\$12,479,402	\$388,831	\$139,802	\$248,398	\$406,219	\$19,128,014

Information by main customer

Information by main customer for the years ended March 31, 2024 and 2023 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

March 31, 2024						
	Equipment Leasing	Automobility	Specialty Financing	International	Environmental Infrastructure	Total
	(Millions of yen)					
Impairment loss	—	—	¥3,148	—	—	¥3,148
March 31, 2023						
	Equipment Leasing	Automobility	Specialty Financing	International	Environmental Infrastructure	Total
	(Millions of yen)					
Impairment loss	—	—	¥50,580	—	—	¥50,580

For the year ended March 31, 2023, impairment losses on assets related to the leasing of aircraft were recognized.

31. Segment Information (continued)

March 31, 2024						
	Equipment Leasing	Automobility	Specialty Financing	International	Environmental Infrastructure	Total
(Thousands of U.S. dollars)						
Impairment loss	—	—	\$20,798	—	—	¥20,798

For the year ended March 31, 2024, impairment losses of ¥2,780 million (\$18,366 thousand) for assets related to the leasing of aircraft, and ¥368 million (\$2,431 thousand) for assets related to the leasing of real estate, were recorded.

Information about unamortized balance of goodwill

March 31, 2024						
	Equipment Leasing	Automobility	Specialty Financing	International	Environmental Infrastructure	Total
(Millions of yen)						
Unamortized balance	¥2,118	¥1,827	¥39,960	¥28,009	¥1,009	¥72,924

March 31, 2023						
	Equipment Leasing	Automobility	Specialty Financing	International	Environmental Infrastructure	Total
(Millions of yen)						
Unamortized balance	¥76	¥2,198	¥40,895	¥13,875	¥1,018	¥58,064

March 31, 2024						
	Equipment Leasing	Automobility	Specialty Financing	International	Environmental Infrastructure	Total
(Thousands of U.S. dollars)						
Unamortized balance	\$13,989	\$12,067	\$263,936	\$185,003	\$6,670	\$481,668

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, 2024 and 2023, there was no gain recognized on negative goodwill.

32. Revenue Recognition

1. Disaggregation of revenue from contracts with customers

Information on the disaggregation of revenue from contracts with customers is stated in *Note 31 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

32. Revenue Recognition (continued)

(1) Amount of contract assets and contract liabilities

	As of March 31,		
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Receivable from contract with customers (Beginning balance)	¥12,526	¥9,746	\$82,738
Receivable from contract with customers (Ending balance)	¥12,792	¥12,526	\$84,494
Contract assets (Beginning balance)	¥1,836	¥1,299	\$12,133
Contract assets (Ending balance)	¥591	¥1,836	\$3,908
Contract liabilities (current) (Beginning balance)	¥3,073	¥498	\$20,301
Contract liabilities (current) (Ending balance)	¥1,731	¥3,073	\$11,435
Contract liabilities (fixed) (Beginning balance)	¥406	¥437	\$2,684
Contract liabilities (fixed) (Ending balance)	¥390	¥406	\$2,580

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 years ended March 31, 2024 and 2023, the amounts of recognized income, which were included in the opening balance of the contract liabilities are ¥3,194 million (\$21,099 thousand) and ¥638 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.

33. Business Combinations

(Transfer of a portion of the shares of subsidiaries)

In the fiscal year ending March 31, 2024, the Company transferred a portion of the shares of Orico Auto Leasing Co., Ltd (OAL) and Orico Business Leasing Co., Ltd (OBL), which had been consolidated subsidiaries of the Company, to OAL and OBL, respectively. As a result, OAL and OBL changed from consolidated subsidiaries into equity-method affiliates of the Company. Details are as presented below.

(1) Outline of share transfer

1) Name of companies to which the shares were transferred and method of transfer

Orico Auto Leasing Co., Ltd. :	OAL stock held by the Company were transferred to OAL (share repurchase by OAL).
Orico Business Leasing Co., Ltd. :	OBL stock held by the Company were transferred to OBL (share repurchase by OBL).

2) Name of subsidiaries to which the shares were transferred and contents of their business

Orico Auto Leasing Co., Ltd. :	Auto leasing business
Orico Business Leasing Co., Ltd. :	Retail leasing business

3) Purpose for share transfer

After deliberating the restructuring of business strategy and structure for the sustainable growth of OAL and OBL, we have decided to transfer a portion of the shares of these companies based on the following judgment: Orient Corporation (hereinafter "Orico"), which has been responsible for the overall business of both companies, should acquire the majority of voting rights to further strengthen collaboration between OAL and OBL and the Orico Group and improve efficiency and productivity through flexible business development and creation of an optimal structure, which is necessary for the sustainable growth of OAL and OBL.

4) Date of share transfer

September 29, 2023

5) Legal form and other matters relating to the outline of the transaction Share transfer for which consideration is received in cash

(2) Outline of accounting treatments implemented

1) Amount of gain or loss on transfer

OAL: Gain on sale of shares of subsidiaries of ¥879 million (\$5,808 thousand)

OBL: Gain on sale of shares of subsidiaries of ¥166 million (\$1,100 thousand)

33. Business Combinations (continued)

- 2) Fair book values of the assets and liabilities pertaining to the transferred businesses and the major breakdown thereof

	OAL		OBL	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Current Assets	¥247,820	\$1,636,860	¥78,271	\$516,986
Investment and other assets	¥21,541	\$142,279	¥35	\$235
Total assets	¥269,361	\$1,779,139	¥78,307	\$517,222
Current liability	¥229,542	\$1,516,132	¥75,746	\$500,307
Long-term liability	¥25,228	\$166,637	¥—	\$—
Total Liability	¥254,771	\$1,682,769	¥75,746	\$500,307

- 3) Accounting treatments

The difference between the sale value of the transferred shares and the Company's consolidated book value was recorded as "gain on sale of shares of subsidiaries" on Consolidated Statement of Income.

- (3) Names of reportable segments in which the transferred businesses were included
OAL: Automobility
OBL: Equipment leasing

- (4) Estimated amount of income or loss pertaining to the transferred subsidiaries, which is reported on the quarterly consolidated statements of income for the cumulative quarterly consolidated accounting period

	OAL		OBL	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Revenues	¥45,075	\$297,725	¥12,408	\$81,956
Operating income	¥1,083	\$7,159	¥431	\$2,852

33. Business Combinations (continued)

(Share acquisition)

On March 22, 2024, TC Global Investments Americas LLC (TCGIA), the consolidated subsidiaries of the Company acquires 80% of the interest of NTT Global Data Centers Joint Venture CH, LLC ("NTT GDC JV") . As a result, NTT GDC JV, NTT Global Data Centers Holding CH, LLC ("NTT GDC HCH"), and NTT Global Data Centers CH, LLC ("NTT GDC CH") became consolidated subsidiaries of the Company.

(1) Summary of business combination

1) Name and business description of acquired company

Name: NTT GDC JV (Head Office: State of Delaware, the U.S.)
 NTT GDC HCH (Head Office: State of Delaware, the U.S.)
 NTT GDC CH (Head Office: State of Delaware, the U.S.)
 Principal business: Data Center Business

2) Purpose of additional share acquisition

In order to promote the joint operation of data center business in Chicago, U.S., with the NTT Group.

3) Date of business combination

March 22, 2024

4) Legal form of business combination

Acquisition of interest

5) Name of the company after business combination

No change

6) Percentage of voting rights acquired

Percentage of voting rights after business combination : 80.0%

7) Basis for determining that the company had been acquired

TCGIA which is the subsidiary of the Company, acquired 80.0% of NTT GDC JV interest for cash consideration.

(2) Period for which the operating results of the acquired company are included

Since March 31, 2024 is set as the deemed acquisition date, only the balance sheet has been consolidated.

(3) Acquisition cost and its breakdown

Acquisition cost : ¥68,767 million in cash (\$454,212 thousand)

33. Business Combinations (continued)

(4) Amount of goodwill, reason for recognition, method and period of amortization

1) Amount of goodwill: ¥13,935 million (\$92,041 thousand)

The amount of goodwill is a tentative amount because the allocation of the acquisition cost has not been completed.

2) Reason for recognition

Goodwill was recognized due to the future excess earning power expected based on business expansion going forward.

3) Method and period of amortization

Amortized over a period during which the effects of goodwill will be realized, using the straight-line method. The amortization period will be determined based on results of the allocation of the acquisition cost.

(5) Main acquisition-related costs

Advisory fees and other expenses: ¥180 million (\$1,189 thousand)

(6) Main assets acquired and liabilities assumed on the date of business combination

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥6,828	\$45,099
Fixed assets	71,365	471,373
Total assets	78,193	516,472
Current liabilities	5,129	33,880
Long-term liabilities	3,766	24,879
Total liabilities	8,896	58,759

(7) Allocation of acquisition cost

Because identification of identifiable assets and liabilities on the business combination date and determination of the fair value as well as the allocation of the acquisition cost were not completed in the consolidated fiscal year ended March 31, 2024, provisional accounting treatment was conducted based on reasonable information available at that time.

(8) Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2023, assuming the business combination had been completed at the beginning of the fiscal year

	(Millions of yen)	(Thousands of U.S. dollars)
Revenues	¥8,066	\$53,277
Operating income	(1,317)	(8,700)
Ordinary income	(3,658)	(24,166)
Income before income taxes	(3,658)	(24,166)
Net income attributable to owners of parent	(2,566)	(16,954)
	(yen)	(U.S. dollars)
Net income per share	¥(5.24)	\$(0.03)

33. Business Combinations (continued)

(Estimation method)

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

34. Related Party Transactions

(1) Transactions with related parties

- 1) Transactions between the company submitting consolidated financial statements and its related parties

As of March 31, 2024										
Class	Name of the company, etc.	Location	Capital stock or investment in capital (Millions of yen) (Thousands of U.S. dollars)	Description of business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions (Note 1)	Transaction amounts (Millions of yen) (Thousands of U.S. dollars) (Note 2)	Item	Balance at the end of fiscal year (Millions of yen) (Thousands of U.S. dollars)
Affiliates	Orico Auto Leasing Co., Ltd.	Taito-ku, Tokyo	¥240 (\$1,585)	Auto leasing business	Direct holding 34.0	Loan of funds, Concurrent appointment of officers	Loan of business funds	¥147,489 (\$974,167)	Other current assets	¥58,490 (\$386,330)
									Long-term loans and other assets	¥9,862 (\$65,138)
							Receipt of interest	¥190 (\$1,257)	Other current assets	¥71 (\$472)

(Note 1) Loan interest rates are determined rationally in consideration of market interest rates.

(Note 2) Orico Auto Leasing Co., Ltd. (OAL) was changed from a consolidated subsidiary of the Company to an equity method affiliate on September 29, 2023 due to the transfer of a part of shares held by the Company to OAL, and therefore corresponded to a related party of the Company. Therefore, the above transaction amounts are the transaction amounts after the share transfer.

The information is not presented as the amounts for the years ended March 31, 2023 was immaterial.

34. Related Party Transactions (continued)

- 2) Companies, etc. sharing the same parent with the Company submitting consolidated financial statements, and subsidiaries, etc. of other subsidiaries and affiliate companies submitting consolidated financial statements

As of March 31, 2024										
Class	Name of the company, etc.	Location	Capital stock or investment in capital (Millions of yen) (Thousands of U.S. dollars)	Description of business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions (Note)	Transaction amounts (Millions of yen) (Thousands of U.S. dollars)	Item	Balance at the end of fiscal year (Millions of yen) (Thousands of U.S. dollars)
Subsidiaries of main shareholders	NTT Global Data Centers Americas, Inc.	State of Delaware, the U.S.	¥64,193 (\$424,000)	Data center business	—	Joint management partner of Data center business	Acquisition of interest in subsidiaries	¥68,767 (\$454,212)	—	—

(Note) The acquisition of interests in the subsidiary was determined by discussion between the parties concerned in consideration of the valuation amount calculated by a third-party organization.

The information is not presented as the amounts for the years ended March 31, 2023 was immaterial.

(2) Notes on parent company or significant affiliates

For the years ended March 31, 2024 and 2023, the important affiliated company is NTT-TC leasing Co., Ltd., and its summarized financial statements are as follows.

NTT-TC Leasing Co., Ltd.			
As of March 31,			
	2024	2023	2024
	(Millions of yen)		(Thousands of U.S. dollars)
Total current assets	¥1,886,693	¥1,680,601	\$12,461,650
Total non-current assets	¥209,498	¥199,917	\$1,383,742
Total deferred charges	¥307	¥243	\$2,029
Total current liabilities	¥1,402,056	¥1,293,082	\$9,260,613
Total long-term liabilities	¥542,074	¥446,077	\$3,580,415
Total equity	¥152,368	¥141,601	\$1,006,394
Total revenues	¥375,956	¥384,713	\$2,483,200
Total income before income taxes	¥21,443	¥18,583	\$141,634
Total net income attributed to owners of the parents	¥15,012	¥12,825	\$99,156

35. 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, 2024 and 2023 were as follows:

	2024	2023	2024
	(Yen)		(U.S. dollars)
Net assets	¥1,781.32	¥1,555.54	\$11.76
Net income attributable to owners of the parent: Basic	¥147.32	¥9.74	\$0.97
Diluted	¥146.75	¥9.70	\$0.96

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 Company conducted a 4-for-1 stock split of its common shares effective January 1, 2024. The net assets per share, the basic earnings per share, and the diluted earnings per share have been calculated based on the premise that the stock split was conducted at the beginning of the previous fiscal year.

35. Amounts per Share (continued)

The base data for the calculation is as follows:

1. Net assets per share

	March 31, 2024	March 31, 2023
	<i>(Thousands of shares)</i>	
Number of shares of common stock used for the calculation of net assets per share	489,654	489,603

	March 31, 2024	March 31, 2023	March 31, 2024
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total net assets	¥1,011,176	¥888,985	\$6,678,838
Amount deducted from total net assets:	138,945	127,388	917,736
Share subscription rights	2,240	2,039	14,798
Non-controlling interests	136,704	125,349	902,938
Net assets attributable to shares of common stock	¥872,230	¥761,597	\$5,761,101

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

	2024	2023
	<i>(Thousands of shares)</i>	
Weighted average number of shares of common stock	489,654	489,444
Increase in shares of common stock		
Exercise of share subscription rights	1,904	1,845

36. Subsequent Events

Not applicable