Integrated Report 2024 (Financial Section)

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NEC Capital Solutions Limited

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5-Year Summary
Consolidated Financial Data

	Millions of Yen					Thousands of U.S. Dollars
	2024	2023	2022	2021	2020	**2024**
For the year:						
Revenues	**¥255,857**	¥258,107	¥249,908	¥221,256	¥220,717	**$1,690,724**
Profit before income taxes	**11,825**	12,444	11,423	6,089	9,093	**78,139**
Profit attributable to owners of parent	**7,034**	6,419	6,940	4,119	5,118	**46,482**
At year-end:						
Total assets	**¥1,117,363**	¥1,055,876	¥1,030,617	¥1,057,654	¥997,511	**$7,383,621**
Total net assets	**136,790**	128,815	121,740	113,885	105,249	**903,919**

	Yen					U.S. Dollars
Per share data:						
Net assets	**¥5,374.76**	¥5,085.69	¥4,794.13	¥4,438.33	¥4,306.21	**$35.52**
Basic net income	**326.662**	298.143	322.37	191.29	237.66	**2.16**
Cash dividends	**130.00**	110.00	74.00	60.00	60.00	**0.86**

Key indicators:						
Dividend payout ratio (%)	**39.8**	36.9	23.0	31.4	25.2	-
Equity ratio (%)	**10.4**	10.4	10.0	9.0	9.3	-
Price earnings ratio (Times)	**11.74**	8.47	6.44	10.59	7.74	-
Return on equity (%)	**6.2**	6.0	7.0	4.4	5.6	-
Return on assets (%)	**1.1**	1.2	1.1	0.6	1.0	-
Number of employees	**880**	866	812	811	784	-

1. The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥151.33=U.S.$1.00 in effect on March 31, 2024.

Operating and Financial Review

1. Business Results

During the fiscal year ended March 31, 2024, the Japanese economy showed recovery from the aftermath of COVID-19 and a full-scale resumption of economic activities. In March 2024, at the end of the fiscal year, the Japanese Trade Union Confederation's calculations showed that the average wage increase exceeded 5% and the Bank of Japan decided to lift negative interest rates, manipulate long-term and short-term interest rates, and terminate purchases of risk assets including ETFs. Thus, the normalization of economic activities has made further progress. Besides, Japan's benchmark Nikkei Stock Average surpassed the 40,000-yen mark for the first time in its history, which led to a booming capital market. Meanwhile, there are increasing number of events that raised concerns about the future of the business environment surrounding our company, such as the prolonged Russian invasion of Ukraine, the conflict between Israel and Palestine started in October 2023, and the Noto Peninsula Earthquake occurred in Japan in January 2024. Under these national and international environmental changes, continued closer attentions to future prospects of economic activities are considered necessary.

The leasing industry, in which the NEC Capital Solutions Group (hereinafter, the "Group") operates, the total value of leasing contracts of the leasing industry for the fiscal year ended March 31, 2024 has been ¥4,629.9 billion, which represents an increase by 7.4% compared with the previous fiscal year (based on Lease Statistics published on May 29, 2024, by the Japan Leasing Association).

Under these circumstances, the contract execution volume decreased by 4.3% and contract volume increased by 10.3%, respectively compared with the previous fiscal year in the Leasing Business of NEC Capital Solutions Limited (hereafter, the "Company"). The contract execution volume decreased from the previous fiscal year primarily due to the impact of several large-scale projects in the public sector including municipalities of which contracts were executed in the previous fiscal year. The contract volume, however, exceeded that of the previous fiscal year due to the win of a large-scale project in the public sector, and our current sales activities are considered progressing steadily.

In the Finance Business, both the contract execution volume and contract volume decreased the level of the previous fiscal year due to a decrease in business loans.

In the Investment Business, revenues decreased compared with the previous fiscal year mainly due to the recognition of revenues from the sale of large-scale real estate for sale in the previous fiscal year. Nevertheless, the decrease in operating income year-on-year was smaller due to a steady increase in gross profit through various measures and a decrease in credit cost.

In the Other Business, revenue, gross profit and operating income were all increased compared with the previous fiscal year mainly due to the recognition of rental income from healthcare-related facilities, fee income from PFI and income from solar power generation business.

As for the overall operating results, although revenues slightly declined compared with the previous fiscal year mainly due to a decrease in the Investment Business, which recognized the sale of large-scale real estate for sale in the previous fiscal year, gross profit increased compared with the previous fiscal year due to increased revenues from the Finance Business and Other Business. Operating income was almost the same level as the previous fiscal year due to a year-on-year increase in selling, general and administrative expenses resulting from higher personnel costs, and ordinary income decreased due to an increase in non-operating expenses, whereas profit attributable to owners of the parent reached a record high due to a decrease in profit attributable to non-controlling interests.

As a result of the Group's initiative, total revenues decreased by 0.9% to ¥255,857 million ($1,690,722 thousand) on a consolidated basis for the year under review. Operating income decreased by 0.2% to ¥11,694 million ($77,275 thousand), ordinary income decreased by 5.0% to ¥11,818 million ($78,094 thousand) and profit attributable to owners of parent increased by 9.6% to ¥7,034 million ($46,481 thousand).

Operating results by segment are as follows:

a. Leasing Business
Although total revenue in this segment increased by 1.8% from the previous fiscal year, to ¥228,437 million ($1,509,529 thousand), operating income decreased by ¥904 million ($5,974 thousand) from the previous fiscal year, to ¥5,464 million ($36,107 thousand) mainly due in part to the sale of a large-scale leased asset in the previous fiscal year and the recording of provision of allowance for doubtful accounts in the current fiscal year.

b. Finance Business
Total revenue in this segment increased by 38.7% from the previous fiscal year, to ¥9,110 million ($60,200 thousand) mainly due in part to dividend income and interest income as well as proceeds from sales of investment securities, and operating income increased by ¥1,166 million ($7,705 thousand) from the previous fiscal year, to ¥3,320 million ($21,939 thousand).

c. Investment Business
Total revenue in this segment decreased by 39.9% from the previous fiscal year, to ¥13,705 million ($90,564 thousand) mainly due in part to the recognition of revenues from the sale of large-scale real estate for sale and dividend income in the previous fiscal year, and operating income decreased by ¥338 million ($2,234 thousand) from the previous fiscal year, to ¥4,073 million yen ($26,915 thousand).

d. Other Business
Total revenue in this segment increased by 5.2% from the previous fiscal year, to ¥4,693 million ($31,012 thousand) mainly due in part to an increase in revenue from sales of solar power electricity, and operating income increased by ¥133 million ($879 thousand) from the previous fiscal year, to ¥627 million ($4,143 thousand) mainly due in part to a rental revenue from healthcare-related facilities and advisory fees.

2. Forecasts for Fiscal Year Ending March 31, 2025

The Japanese economy during the fiscal year ending March 31, 2025 is anticipated to see a further acceleration in the movement toward normalization of economic activities, along with a shift back to "life with interest rates" following the Bank of Japan's lifting of negative interest rates in March 2024. However, the future of world affairs requires much closer attention than before, including the protracted Russian invasion of Ukraine, the Israeli-Palestinian conflict that erupted in October 2023, and rising tensions between Mainland China and Taiwan. In addition, the U.S. presidential election in November 2024 is expected to significantly affect the current global situation.

Under these circumstances, the Group is steadfastly convinced of the importance of sustainability, which has been discussed as a global issue. As we started to include in our securities report of previous fiscal year, we have been working to address climate change risks based on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, and we have also been proactively promoting initiatives related to human capital and human resource diversity, including improving engagement and ensuring diversity in our workforce.

Aiming to further develop our CSV management, the Company announced in April 2023 its new group vision, "Be a solution company leading the next-generation circular economy," for the year 2030, the time frame of the SDGs. At the same time, the Company has also formulated "the Medium-term Plan 2025" as the first stage toward the achievement of the "next-generation circular economy". Under "the Medium-term Plan 2025" that is a first step toward the achievement of the group vision, the Company will create dedicated services that is unique to it toward the achievement of the next-generation circular economy, as well as conduct CSV management and solve social issues with its customers through its business for a three-year term in which the Company will try to engage in innovation to fulfill its goal for 2030 and sustained growth.

Based on the policies mentioned above, forecasts ordinary income of ¥12.5 billion and profit attributable to owners of parent of ¥8.0 billion on a consolidated basis in the fiscal year ending March 31, 2025, a 5.8% and 13.7% increase compared with the current fiscal year, respectively, resulting from sustained growth of the Leasing Business and the Finance Business and an increase in revenue of the Investment Business.

The forecast for annual dividends will increase ¥20 per share compared to the current fiscal year to ¥150 per share (including interim dividend of ¥75 yen per share), taking into consideration for the profit forecast, based on the Company's dividend policy, which is maintaining stable dividends as the basic policy.

Meanwhile, unless otherwise specified, information concerning the future presented herein are forecasts based on our decisions, targets, certain premises, or assumptions as of the last day (March 31, 2024) of the consolidated fiscal year and may differ materially from the actual results for a number of reasons.

3. Assets, Liabilities, and Net Assets

Total assets at the end of this fiscal year under review increased by ¥61,487 million ($406,311 thousand) year-on-year to ¥1,117,363 million ($7,383,619 thousand). This increase mainly reflected increases of ¥28,851 million ($190,650 thousand) in leased assets under property and equipment, ¥18,480 million ($122,117 thousand) in other current assets, ¥18,362 million ($121,337 thousand) in cash and cash equivalents and ¥10,141 million ($67,012 thousand) in real estate for sale, offsetting a decrease of ¥28,489 million ($188,257 thousand) in lease receivables and investment in leases.

Liabilities at the end of this fiscal year under review increased by ¥53,512 million ($353,611 thousand) year-on-year to ¥980,573 million ($6,479,700 thousand). This increase mainly reflected increases of ¥29,000 million ($191,634 thousand) in commercial paper and ¥18,005 million ($118,978 thousand) in long-term debt (including current portion of long-term debt).

Net assets at the end of this fiscal year under review increased by ¥7,974 million ($52,693 thousand) year-on-year to ¥136,790 million ($903,919 thousand). This increase mainly reflected increases of ¥4,060 million ($26,829 thousand) in retained earnings due to profit attributable to owners of parent, etc., ¥1,782 million ($11,776 thousand) in foreign currency translation adjustments and ¥1,721 million ($11,372 thousand) in non-controlling interests.

4. Cash Flow Status

Cash and cash equivalents at the end of this fiscal year under review were ¥53,722 million ($354,999 thousand).
The following is a description of cash flows and significant factors.

(Cash Flows from Operating Activities)
Net cash used in operating activities was ¥21,344 million ($141,043 thousand), compared with net cash provided in operating activities of ¥29 million for the previous fiscal year. This was primarily attributable to the expenditures for the purchases of leased assets of ¥46,066 million ($304,408 thousand), offsetting a decrease in lease receivables and investment in leases of ¥30,091 million ($198,844 thousand).

(Cash Flows from Investing Activities)
Net cash used in investing activities was ¥8,313 million ($54,933 thousand), compared with net cash used in investing activities of ¥9,581 million for the previous fiscal year. This was primarily attributable to the expenditures for the purchases of investment securities of ¥21,351 million ($141,089 thousand), offsetting proceeds from redemption of investment securities of ¥13,089 million ($86,493 thousand).

(Cash Flows from Financing Activities)
Net cash provided by financing activities was ¥49,343 million ($326,062 thousand), compared with net cash provided by financing activities of ¥7,875 million for the previous fiscal year. This was primarily attributable to increase in long-term debt of ¥167,162 million ($1,104,619 thousand) and an increase in commercial paper of ¥29,000 million ($191,634 thousand), offsetting repayment of long-term debt of ¥151,478 million ($1,000,978 thousand).

Consolidated Balance Sheets

NEC Capital Solutions Limited
March 31, 2024 and 2023

Assets	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
Current assets:			
Cash and cash equivalents (Notes 14, 15)	**¥53,723**	¥35,558	**$355,005**
Time deposits	**184**	—	**1,214**
Lease receivables and investment in leases (Notes 13, 14, 15)	**489,455**	517,945	**3,234,357**
Accounts receivable:			
Installment sales (Note 15)	**36,639**	38,828	**242,115**
Loans (Notes 9, 15)	**230,268**	231,612	**1,521,628**
Leases (Note 15)	**23,814**	22,035	**157,365**
Purchased receivables (Note 15)	**9,141**	12,420	**60,402**
Allowance for doubtful accounts	**(8,384)**	(9,840)	**(55,403)**
Operational investment securities (Notes 7, 14, 15)	**25,852**	22,875	**170,830**
Real estate for sale (Note 14)	**33,969**	23,828	**224,472**
Real estate for sale in process	**3,286**	—	**21,713**
Other (Note 15)	**31,641**	13,031	**209,087**
Total current assets	**929,588**	908,292	**6,142,785**
Property and equipment, net:			
Leased assets (Note 6)	**84,671**	55,819	**559,513**
Other operating assets (Note 6)	**7,969**	7,199	**52,662**
Assets held for own use (Notes 6, 14)	**313**	363	**2,066**
Property and equipment, net	**92,953**	63,381	**614,241**
Intangible assets:			
Computer programs leased to customers	**1,085**	1,437	**7,170**
Goodwill	**1,521**	1,560	**10,053**
Software and other	**8,543**	6,177	**56,455**
Total intangible assets	**11,149**	9,174	**73,678**
Investments and other assets:			
Investment securities (Notes 7, 14, 15)	**71,114**	61,737	**469,925**
Net defined benefit asset (Note 12)	**450**	340	**2,973**
Deferred tax assets (Notes 10)	**6,924**	9,045	**45,754**
Other (Note 15)	**10,120**	5,919	**66,873**
Allowance for doubtful accounts	**(4,935)**	(2,012)	**(32,608)**
Total investments and other assets	**83,673**	75,029	**552,917**
Total assets	**¥1,117,363**	¥1,055,876	**$7,383,621**

The accompanying notes are an integral part of these statements.

Liabilities and net assets	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
Current liabilities:			
Short-term borrowings (Notes 8, 9, 15)	**¥312,367**	¥270,091	**$2,064,142**
Current portion of long-term debt (Notes 8, 14, 15)	**125,629**	170,773	**830,168**
Notes and accounts payable – trade (Notes 15)	**12,089**	15,796	**79,886**
Accrued income taxes (Note 15)	**1,047**	239	**6,921**
Deposits received (Note 15)	**2,441**	2,043	**16,133**
Allowance for bonuses	**934**	847	**6,170**
Allowance for bonuses for directors	**15**	33	**98**
Other (Note 16)	**31,579**	36,572	**208,676**
Total current liabilities	**486,101**	496,394	**3,212,194**
Long-term liabilities:			
Long-term debt (Notes 8, 14, 15)	**480,948**	418,485	**3,178,140**
Net defined benefit liability (Note 12)	**1,915**	2,035	**12,653**
Other	**11,609**	10,146	**76,715**
Total long-term liabilities	**494,472**	430,666	**3,267,508**
Total liabilities	**980,573**	927,060	**6,479,702**
Net assets:			
Shareholders' equity			
Common stock Authorized:86,000,000 shares Issued:21,533,400 shares	**3,783**	3,777	**25,001**
Capital surplus (Note 19)	**4,655**	4,646	**30,761**
Retained earnings (Note 19)	**101,192**	97,132	**668,686**
Treasury stock, at cost 4,324 shares in 2023 and 4,156 shares in 2022	**(10)**	(9)	**(65)**
Total shareholders' equity	**109,620**	105,546	**724,383**
Accumulated other comprehensive income			
Net unrealized gains on marketable securities	**1,601**	1,628	**10,577**
Deferred losses on hedging derivatives	**414**	91	**2,734**
Foreign currency translation adjustments	**4,045**	2,263	**26,728**
Remeasurements of defined benefit plans	**63**	(37)	**416**
Total accumulated other comprehensive income	**6,123**	3,945	**40,455**
Non-controlling interests	**21,047**	19,325	**139,081**
Total net assets	**136,790**	128,816	**903,919**
Total liabilities and net assets	**¥1,117,363**	¥1,055,876	**$7,383,621**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income and Comprehensive Income

NEC Capital Solutions Limited
Years ended March 31, 2024 and 2023

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	**2024**
Revenues:			
Leases	**¥215,504**	¥210,968	**$1,424,069**
Installment sales	**740**	691	**4,890**
Loans	**9,110**	6,569	**60,202**
Other	**30,503**	39,879	**201,563**
Total revenues	**255,857**	258,107	**1,690,724**
Costs:			
Leases	**198,306**	195,183	**1,310,419**
Interest expense	**7,436**	5,053	**49,137**
Other	**17,526**	25,951	**115,815**
Total costs	**223,268**	226,187	**1,475,371**
Gross profit	**32,589**	31,920	**215,353**
Selling, general, and administrative expenses	**20,894**	20,205	**138,072**
Operating income	**11,695**	11,715	**77,281**
Other income (expenses):			
Interest and dividend income	**127**	121	**837**
Interest expense	**(490)**	(26)	**(3,241)**
Equity in earnings (losses) of affiliates	**54**	(34)	**355**
Gain on investment in partnerships	**470**	1,027	**3,103**
Gain on sales of investment securities	**436**	17	**2,883**
Foreign exchange gain	**(401)**	(459)	**(2,650)**
Income from compensation for damage	**—**	94	**—**
Loss on disposal of property and equipment	**(2)**	(5)	**(16)**
Rent expenses	**—**	(85)	**—**
Loss on investment in partnerships	**(160)**	(4)	**(1,057)**
Gain on sales of shares of subsidiaries	**—**	25	**—**
Gain on sale of shares of subsidiaries and associates	**10**	—	**64**
Loss on revision of retirement benefit plan	**—**	(22)	**—**
Loss on sale of shares of subsidiaries	**—**	(0)	**—**
Loss on sale of securities	**(1)**	—	**(9)**
Loss on sale of investment securities	**(28)**	(17)	**(183)**
Loss on liquidation of subsidiaries	**(56)**	—	**(368)**
Loss on valuation of investment securities	**(74)**	—	**(486)**
Other, net	**245**	97	**1,626**
Profit before income taxes	**11,825**	12,444	**78,139**
Income taxes (Note 10):			
Current	**2,102**	1,255	**13,888**
Deferred	**1,818**	1,830	**12,014**
	3,920	3,085	**25,902**
Profit	**7,905**	9,359	**52,237**
Profit attributable to non-controlling interests	**871**	2,940	**5,755**
Profit attributable to owners of parent	**¥7,034**	¥6,419	**$46,482**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	**2024**
Profit	**¥7,905**	¥9,359	**$52,237**
Other comprehensive income (loss):			
Net unrealized gains (losses) on marketable securities	**(86)**	104	**(569)**
Deferred (losses) gains on hedging derivatives	**186**	(23)	**1,227**
Foreign currency translation adjustments	**1,216**	1,325	**8,033**
Remeasurements of defined benefit plans	**100**	(23)	**662**
Share of other comprehensive income of associates accounted for using equity method	**761**	173	**5,033**
Total other comprehensive income (loss)	**¥2,177**	¥1,556	**$14,386**
Comprehensive income	**¥10,082**	¥10,915	**$66,623**
Comprehensive income attributable to:			
Owners of parent	**9,211**	7,977	**60,868**
Non-controlling interests	**871**	2,938	**5,755**

	Yen		U.S. Dollars (Note 1)
	2024	2023	**2024**
Amounts per share:			
Basic net income	**¥326.66**	¥298.14	**$2.16**
Cash dividends applicable to the year	**130.00**	110.00	**0.86**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

NEC Capital Solutions Limited
Years ended March 31, 2024 and 2023

	Millions of Yen										
		Shareholders' Equity				Accumulated other comprehensive income					
	Number of shares issued (Thousands of shares)	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain (losses) on marketable securities	Deferred gain (losses) on hedging derivatives	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2022	21,533	3,777	4,646	92,414	(9)	1,383	102	915	(14)	18,526	121,740
Profit attributable to owners of parent				6,419							6,419
Cash dividends				(1,701)							(1,701)
Purchase of treasury stock					(9)						(9)
Disposal of treasury shares					9						9
Other, net						245	(11)	1,347	(23)	799	2,357
Balance at March 31, 2023	21,533	¥3,777	¥4,646	¥97,132	¥(9)	¥1,628	¥91	¥2,262	¥(37)	¥19,325	¥128,815
Profit attributable to owners of parent				7,034							7,034
Cash dividends				(2,972)							(2,972)
Purchase of treasury stock											
Disposal of treasury shares		6	9								15
Other, net				(2)		(27)	323	1,782	100	1,722	3,898
Balance at March 31, 2024	21,533	¥3,783	¥4,655	¥101,192	¥(9)	¥1,600	¥414	¥4,045	¥63	¥21,047	¥136,790

	Thousands of U.S. Dollars (Note 1)									
	Shareholders' Equity				Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain (losses) on marketable securities	Deferred gain (losses) on hedging derivatives	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2023	$24,958	$30,702	$641,853	$ (62)	$10,755	$603	$14,952	$(243)	$127,702	$851,220
Profit attributable to owners of parent			46,482							46,482
Cash dividends			(19,638)							(19,638)
Purchase of treasury stock				(1)						(1)
Disposal of treasury shares	43	59								102
Other, net			(11)	(2)	(178)	2,131	17,776	659	11,379	25,754
Balance at March 31, 2024	$25,001	$30,761	$668,686	$ (65)	$10,577	$2,734	$26,728	$416	$139,081	$903,919

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

NEC Capital Solutions Limited
Years ended March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Profit before income taxes	¥11,825	¥12,444	$78,139
Depreciation and amortization	27,207	18,732	179,788
Amortization of goodwill	197	201	1,304
Increase (Decrease) in allowance for doubtful accounts	1,468	(10)	9,697
Increase (Decrease) in allowance for bonuses	86	(101)	570
Increase (Decrease) in allowance for directors' bonuses	(18)	33	(121)
Increase (Decrease) in net defined benefit liability	(138)	(69)	(912)
Interest and dividend income	(127)	(121)	(837)
Interest expense	7,892	5,103	52,150
Foreign exchange loss	8,146	5,924	53,829
Equity in (earnings) losses of affiliated companies	(54)	34	(355)
Gain on sales of investment securities	(836)	(42)	(5,522)
Loss on valuation of investment securities	76	17	500
Loss on sales of shares of subsidiaries and associates	18	—	119
Gain on reversal of foreign currency translation adjustments resulting from liquidation of a foreign subsidiary	(107)	—	(709)
Increase (Decrease) in installment sales receivables	2,189	(3,487)	14,466
Increase (Decrease) in lease receivables and investment in leases	30,092	12,839	198,848
Increase (Decrease) in loans receivable	2,601	(17,491)	17,187
Increase (Decrease) in purchased receivables	3,279	(4,409)	21,669
Increase (Decrease) in operational investment securities	(3,190)	(1,848)	(21,083)
Increase (Decrease) in real estate for sale	(10,583)	1,096	(69,934)
Increase (Decrease) in real estate for sale in process	(3,286)	—	(21,713)
Purchases of leased assets	(46,067)	(19,045)	(304,414)
Proceeds from sales of leased assets	6,043	7,258	39,934
Increase (Decrease) in advances for purchases at property for lease	(20,564)	167	(135,888)
Other, net	(29,656)	(10,832)	(195,970)
Subtotal	(13,507)	6,395	(89,258)
Interest and dividend income received	444	190	2,934
Interest paid	(7,426)	(4,906)	(49,069)
Income taxes paid	(856)	(1,649)	(5,656)
Net cash used in operating activities	(21,345)	30	(141,049)
Cash flows from investing activities:			
Purchases of assets held for own use	(3,015)	(4,067)	(19,924)
Purchases of investment securities	(21,351)	(17,676)	(141,090)
Proceeds from sales of investment securities	3,152	11	20,830
Proceeds from redemption of investment securities	13,089	11,943	86,496
Increase in time deposits	184	(287)	1,214
Proceeds from liquidation of affiliates	356		2,351
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(11)	—
Other, net	(728)	506	(4,811)
Net cash used in investing activities	(8,313)	(9,581)	(54,934)
Cash flows from financing activities:			
Increase (Decrease) in short-term borrowings, net	36,940	27,824	244,102
Increase (Decrease) in long-term debt/bond	187,762	197,555	1,240,749
Repayment of long-term debt/bond	(172,766)	(212,896)	(1,141,647)
Cash dividends paid	(3,060)	(1,772)	(20,221)
Cash dividends paid to non-controlling interests	(2,646)	(5,009)	(17,486)
Proceeds from stock issuance to non-controlling interests	3,106	2,182	20,523
Other, net	7	(9)	44
Net cash provided by financing activities	49,343	7,875	326,064

Foreign currency translation adjustments on cash and cash equivalents	**(1,458)**	(96)	**(9,637)**
Net decrease in cash and cash equivalents	**18,227**	(1,772)	**120,444**
Cash and cash equivalents at beginning of year	**35,558**	37,467	**234,969**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**(62)**	(137)	**(408)**
Cash and cash equivalents at end of year	**¥53,723**	¥35,558	**$355,005**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

NEC Capital Solutions Limited
Year ended March 31, 2024

1. Basis of Presentation

The Company maintains its books of account in accordance with the provisions set forth in the Corporation Law of Japan (the "Law"), and the Financial Instruments and Exchange Act of Japan and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements that 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 issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥151.33 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2024. This translation should not be construed as a representation that Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at this or any other rate.

2. Summary of Significant Accounting Policies

a) Consolidation

The consolidated financial statements include the accounts of the Company and its 59 consolidated subsidiaries for the fiscal year ended March 31, 2024, such as Reboot Technology Services and Capitech Limited, RISA Partners, Inc. (59 consolidated subsidiaries for the fiscal year ended March 31, 2023).

4 companies are newly included in consolidated subsidiaries since their establishment or acquisition in the fiscal year ended March 31, 2024.

4 companies a consolidated subsidiary of the Group in the previous fiscal year, has been excluded from the scope of consolidation starting from the current fiscal year from consolidation due to completion of liquidation and decrease in percentage of voting rights held.

3 companies are excluded from the scope of consolidation because they are small in scale, and their total assets, net revenues, net income (the Company's interest share) and retained earnings (the Company's interest share), etc. are not material to the Company's consolidated financial statements.

Non-consolidated subsidiaries, to which the Company has majority voting shares are excluded from consolidation because it is considered obvious that our certain consolidated subsidiaries hold the shares as an operating transaction in order to invest, develop, and earn capital gains to and from these companies, and do not control decision-making organization of these companies and it meets the requirements of ASBJ Guidance No. 22.

3 companies have been accounted for by the equity method due to acquisition in the fiscal year ended March 31, 2024.

Affiliated companies, to which the Company has voting shares of more than 20% to 50% are excluded from affiliated companies because it is considered obvious that our certain consolidated subsidiaries hold the shares as an operating transaction in order to invest, develop and earn capital gains to and from these companies and do not have significant influence on these companies and it meets the requirements of ASBJ Guidance No. 22.

The Company does not apply the equity method to certain non-consolidated subsidiaries and affiliates because net income (the Company's interest share) and retained earnings (the Company's interest share) of these companies are not material to the Company's consolidated financial statements even though the equity method is not applied, and these companies are not material as a whole.

The financial statements of affiliated companies used by the Company in applying the equity method, whose fiscal year-ends are different from the Group's fiscal year-end, are those as of their respective fiscal year-ends.

The fiscal year-ends of 38 consolidated subsidiaries are different from the Group's fiscal year-end, and are December 31. 1 companies were consolidated by using their financial statements as of the Group's fiscal year-end, which are prepared solely for consolidation purposes. With regard to other consolidated subsidiaries, financial statements as of their respective fiscal year end are used for consolidation and necessary adjustments are made to the consolidated financial statements to reflect any significant transactions between their fiscal year-ends and March 31.

In addition, CSV Venture Fund Limited Liability Partnership, CSV Venture Fund 2 Limited Liability Partnership, NVenture Capital and NVC 1 Limited Liability Partnership changed their fiscal year end from December 31 to March 31. The profit and loss of these subsidiaries for the three-month period from January 1, 2024 to March 31, 2024 has been adjusted through the consolidated financial statements, resulting in a 15-month accounting period in the current fiscal year. The effect of profit and loss due to this change is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation.

b) Revenue recognition

Leases:

Revenues from finance lease contracts with customers and corresponding costs are recognized at the time the payments under the leases are due as stipulated in the lease contracts without regard to the actual collection of such payments.

Installment sales:

Installment sales and the related costs are recognized when the installment payments become due according to the installment sales contracts. Revenues from installment sales are reported net of installment sales and the related costs.

c) Allocation of interest expense

Interest expense on borrowings is allocated to operating expenses and other expenses based on the balances of the respective assets relating to operating and other activities. Interest expense classified as an operating expense is recorded net of the corresponding interest income from deposits.

d) Allowance for doubtful accounts

Allowance for doubtful accounts is recorded to provide for probable losses on bad debts based on historical experience for those receivables other than specific doubtful accounts, and based on an estimate of the uncollectible amounts after a review of the collectibility for the specific doubtful receivables.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, callable cash deposits at banks and short-term investments with original maturities of three months or less which are readily convertible into cash with only an insignificant risk of any change in their value.

f) Investment securities

Available-for-sale securities

Marketable available-for-sale securities are reported at fair value, with any unrealized gain or loss, net of the applicable taxes, reported as a separate component of net assets. The cost of securities sold is determined by the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

g) Investments in anonymous partnerships

Investments in anonymous partnerships are included in investment securities based on the portion of interest shares of anonymous partnerships' net assets. The gains and losses arising from anonymous partnerships are included in total revenues for anonymous partnerships held for business purposes, and in other income (expense) held for non-business purposes, with the corresponding adjustments made to investment securities in the same amount. Capital refunds from anonymous partnerships by their general partners were deducted from investment securities.

h) Real estate for sale

Real estate for sale is stated at cost determined by the identified method (carrying value is reduced if there is a decline in profitability of real estate).

i) Real estate for sale in process

Real estate for sale in process is stated at cost determined by the identified method (carrying value is reduced if there is a decline in profitability of real estate).

j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation.

Depreciation of assets held for own use;

The Company and its domestic consolidated subsidiaries adopted primarily the declining-balance method (however, the depreciation method for buildings (except for facilities attached to buildings) that were acquired on or after April 1, 1998, and facilities attached to buildings and structures that were acquired on or after April 1, 2016 are depreciated by the straight-line method) to assets held for own use, and overseas consolidated subsidiaries primarily adopted the straight-line method.

In addition, depreciation of machinery and equipment related to solar power generation facility is computed by the straight-line method.

The useful lives of buildings are from 3 to 18 years, furniture and fixtures are from 3 to 20 years.

Depreciation of property and equipment leased to customers;

Property and equipment leased to customers are depreciated over the term of the lease using the straight-line method to the residual value which is the amount to be realized at the time when the lease contract is terminated.

k) Computer software

Costs related to software purchased for internal use are amortized by the straight-line method over an estimated useful life of 3 to 5 years.

l) Accounting for derivatives

Derivatives are carried at fair value with any changes in unrealized gain or loss credited or charged to earnings, except for those that meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a separate component of net assets.

The Company utilizes derivative financial instruments principally in order to mitigate the risk of fluctuation in interest rates on borrowings. The Company has established entity level controls that include policies and procedures for risk assessment in accordance with the Company's rules for interest-rate swap transactions. Under these rules, the Company conducts transactions within a certain range and places limits on the applicable assets and liabilities based on the actual demand. In addition, the Company also assesses the effectiveness of the hedging and verifies the approval, reporting and monitoring of all transactions involving derivatives. The Company does not hold or issue derivative financial instruments for trading purposes.

The effectiveness of the hedge transactions is assessed by calculating the cumulative changes in cash flows of the hedging instruments and the cumulative changes in cash flows of the hedged items and then verifying that their ratio is within a fixed range.

Of the above hedging relationships, the Company has applied the exception set out in the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR "(PITF No.40, March 17, 2022) to all of those hedging relationships that are within the scope of the Practical Solution.

In cases where interest rate swap contracts are used as a hedge and meet certain hedging criteria, the interest rate swaps are not recorded at fair value, instead, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

m) Retirement benefit plans
Employees' retirement benefits:

The Company has a defined-benefit plan with guaranteed benefits and a defined-contribution pension plan, as well as a severance indemnity plan covering virtually all employees other than directors and corporate auditors. Under the terms of these plans, eligible employees upon retirement are entitled to lump-sum severance payments or annuity pension payments based on their level of compensation upon termination and their years of service with the Company.

Accrued retirement benefits have been provided for employees' retirement benefits, based on an estimate of the projected benefit obligation and the pension plan assets at the end of the year.

n) Allowance for bonuses

Allowance for bonuses provided for the future bonus payments to employees, is maintained at the amount accrued at the end of the fiscal year, based on the estimated future payments.

o) Allowance for bonuses for directors

Allowance for bonuses for directors provided for the future bonus payments to directors, is maintained at the amount accrued at the end of the fiscal year, based on the estimated future payments.

p) Goodwill

Goodwill is amortized on a straight-line basis over a period within 20 years. However, if the amount is immaterial, it is recognized as expense in the fiscal year when incurred.

q) Income taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are recognized for the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Calculations of deferred tax assets and liabilities are based on the enacted tax laws at the end of the year.

r) Per share data

Basic net income per share is calculated by dividing the net income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share has not been disclosed because no potentially dilutive shares were outstanding.

3. Significant Accounting Estimates

Allowance for doubtful accounts

(1) Amount recorded in the consolidated financial statements as of March 31, 2024

¥13,318 million ($88,006 thousand)

Previous consolidated fiscal year ¥11,851 million

(2) Information on the nature of the significant accounting estimates for identified items

The Company's operating receivables mainly consist of installment sales receivables, lease receivables and investments in leases, accounts receivable - leases, and accounts receivable - loans, and are exposed to credit risks caused by customers' non-fulfillment of a contracts. The Company determines borrower categories based on the degree of customers' credit risks and categorizes the receivables into general receivables, doubtful receivables, and receivables from companies in bankruptcy and reorganization in order to prepare for bad debt losses of operating receivables. Allowance for doubtful accounts is recorded for uncollectable amounts that are determined based on historical write-off ratio of bad debt losses for general receivables and based on the individual assessment of collectability considering each customer's financial position and operating results in addition to an estimate of collectable amounts through credit protection measures for doubtful receivables and receivables from companies in bankruptcy and reorganization.

The Company determines the borrower categories based on the predetermined criteria taking into consideration quantitative factor including customers' repayment status including delinquency in payment and other financial indicators, as well as qualitative factor including future outlook of business performance.

Although the Company recorded allowance for doubtful accounts based on the information available as of March 31, 2024, there is a possibility that additional allowance for doubtful accounts would be necessary during the next fiscal year in case of unforeseen events such as customers' delinquency in payment or bankruptcy due to deterioration of their operating results and financial position, affected by changes in economic and other conditions considering that the Company's operating receivable collection period tends to be of medium-term and long-term.

4. Change in Accounting Policies

(Change in method of translating revenues and expenses of overseas subsidiaries into Japanese yen)

Previously, revenues and expenses of overseas subsidiaries were translated into yen at the spot exchange rate on the closing date. Effective from the beginning of the current fiscal year, it has been changed to a method of translating into yen at the average exchange rate during the period. The purpose of this change is to mitigate the impact of temporary fluctuations in exchange rates on profits and losses, etc., and to more appropriately reflect the performance of overseas subsidiaries in the consolidated financial statements, since these subsidiaries are becoming more significant.

As the impact of this change is immaterial, retrospective application has not been made.

5. Unapplied accounting standards

- "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
The above standards and guidance define the accounting classification of income taxes, etc. when other comprehensive income is taxable, and the handling of tax effect regarding the sales of the stock of subsidiaries, etc. when the group taxation regime is adopted.

(2) Effective date
The Company will apply above standards and guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of these standards and guidance
The effects of the application of these standards and guidance are being evaluated when preparing the consolidated financial statements for the current fiscal year.

6. Accumulated depreciation of property and equipment

Accumulated depreciation of property and equipment at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Leased assets	**¥62,845**	¥51,757	**$415,282**
Other operating assets	**2,915**	2,342	**19,259**
Assets held for own use	**1,154**	1,070	**7,628**

7. Investment Securities

Investment securities at March 31, 2024 and 2023 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Current:			
Marketable available-for-sale securities	**¥201**	¥565	**$1,329**
Non-marketable available-for-sale securities	**25,651**	22,310	**169,500**
Total	**¥25,852**	¥22,875	**$170,829**
Non-current:			
Marketable available-for-sale securities	**¥6,741**	¥7,677	**¥44,541**
Non-marketable available-for-sale securities	**45,074**	38,489	**297,860**
Non-consolidated subsidiaries and affiliated companies	**19,298**	15,571	**127,524**
Total	**¥71,113**	¥61,737	**¥469,925**

The aggregate acquisition cost and fair value of available-for-sale securities with readily determinable market value at March 31, 2024 and 2023 were as follows:

	March 31, 2024			
	Acquisition cost	**Unrealized gain**	**Unrealized loss**	**Fair value**
	Millions of Yen			
Available-for-sale securities:				
Current				
Equity securities	**¥249**	**¥—**	**¥78**	**¥171**
Debt securities	**30**	—	—	**30**
Non-current				
Equity securities	**497**	**476**	**100**	**873**
Debt securities	**1,346**	**9**	**10**	**1,345**
Other (trust beneficiary rights, etc.)	**4,262**	**261**	—	**4,523**
Total	**¥6,384**	**¥746**	**¥188**	**¥6,942**

	March 31, 2023			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
	Millions of Yen			
Available-for-sale securities:				
Current				
Equity securities	¥278	¥272	¥15	¥535
Debt securities	30	—	—	30
Non-current				
Equity securities	705	638	97	1,246
Debt securities	650	44	4	690
Other (trust beneficiary rights, etc.)	5,301	440	—	5,741
Total	¥6,964	¥1,394	¥116	¥8,242

	March 31, 2024			
	Acquisition cost	**Unrealized gain**	**Unrealized loss**	**Fair value**
	Thousands of U.S. Dollars			
Available-for-sale securities:				
Current				
Equity securities	**$1,648**	**$—**	**$519**	**$1,129**
Debt securities	**200**	—	—	**200**
Non-current				
Equity securities	**3,287**	**3,144**	**661**	**5,770**
Debt securities	**8,894**	**59**	**69**	**8,884**
Other (trust beneficiary rights, etc.)	**28,161**	**1,726**	—	**29,887**
Total	**$42,190**	**$4,929**	**$1,249**	**$45,870**

Non-marketable available-for-sale securities whose fair value were not readily determinable at March 31, 2024 and 2023 were as follows:

	Carrying value		
	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Non-marketable available-for-sale securities:			
Equity securities	**¥29,071**	¥25,337	**$192,103**
Debt securities	—	—	—
Other (investment in partnerships, etc.)	**41,654**	35,462	**275,257**
Total	**¥70,725**	¥60,799	**$467,360**

Available-for-sale securities sold during the fiscal year ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Equity securities:			
Sales prices	**¥1,134**	¥205	**$7,495**
Total gains on sales	**751**	126	**4,959**
Total losses on sales	—	—	—
Other (trust beneficiary rights, etc.)			
Sales prices	**1,695**	—	**11,199**
Total gains on sales	**157**	—	**1,038**
Total losses on sales	—	—	—

8. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	Weighted-average interest rate
	2024	2023	**2024**	**2024**
Short-term loans from banks	**¥40,367**	¥27,091	**$266,745**	**4.85%**
Commercial paper	**272,000**	243,000	**1,797,396**	**0.07%**
Total	**¥312,367**	¥270,091	**$2,064,141**	—

Long-term debt at March 31, 2024 and 2023 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	Weighted-average interest rate
	2024	2023	**2024**	**2024**
Long-term loans, principally from banks	**¥487,710**	¥485,122	**$3,222,825**	**0.73%**
Payables under securitized lease receivables	**2,699**	3,986	**17,836**	**0.60%**
Unsecured bonds	**100,650**	100,150	**665,103**	**0.38%**
Total	**591,059**	589,258	**3,905,764**	—
Less current portion	**125,629**	170,773	**830,168**	—
	¥465,430	¥418,485	**$3,075,596**	—

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

Fiscal Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2025	¥125,629	$830,168
2026	216,865	1,433,060
2027	186,776	1,234,234
2028	9,866	65,192
2029	24,340	160,842
2030 and thereafter	27,583	182,268
	¥591,059	$3,905,764

At March 31, 2024, the Company had overdraft facilities or line-of-credit agreements with 47 financial institutions that were set up in order to procure working capital efficiently. The unused committed lines of credit under such agreements at March 31, 2024, totaled ¥322,018 million ($2,127,919 thousand).

At March 31, 2023, the Company had overdraft facilities or line-of-credit agreements with 46 financial institutions that were set up in order to procure working capital efficiently. The unused committed lines of credit under such agreements at March 31, 2023, totaled ¥316,411 million.

9. Commitment

Loan commitment as lender

As of March 31, 2024 and 2023, the Company had the following balances:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Loan commitment agreements	**¥18,458**	¥20,719	**$121,971**
The loans provided under these credit facilities	**6,922**	7,587	**45,738**
Aggregated balance of loan commitments available for customers of the Company	**¥11,536**	¥13,132	**$76,233**

Depending on the credit standing of borrower, any unused amount will not necessarily be utilized in full.

10. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a statutory tax rate of approximately 30.62% for the fiscal year ended March 31, 2024 and 2023.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Deferred tax assets:			
Tax adjustments for lease transactions	**¥2,309**	¥3,673	**$15,258**
Allowance for doubtful accounts	**2,659**	2,519	**17,574**
Loss on valuation of investment securities	**986**	1,962	**6,516**
Net operating loss carryforwards (*2)	**692**	569	**4,576**
Net defined benefit liability	**449**	519	**2,964**
Accrued bonuses	**318**	291	**2,100**
Other	**2,133**	1,643	**14,094**
Subtotal	**9,546**	11,176	**63,082**
Valuation allowance for tax loss carryforward (*2)	**(692)**	(564)	**(4,572)**
Valuation allowance for total amount of deductible temporary differences and other	**(962)**	(791)	**(6,359)**
Valuation allowance (*1)	**(1,654)**	(1,355)	**(10,931)**
Total deferred tax assets	**¥7,892**	¥9,821	**$52,151**
Deferred tax liabilities:			
Net unrealized gain on marketable securities	**(739)**	(656)	**(4,884)**
Other	**(308)**	(272)	**(2,036)**
Total deferred tax liabilities	**(1,047)**	(928)	**(6,920)**
Net deferred tax assets	**¥6,845**	¥8,893	**$45,231**

(*1) The amount of valuation allowance increased by ¥298 million ($1,970 thousand). The main component of this decrease is due to the decrease of valuation allowance for tax loss carryforward of the consolidated subsidiary, RISA Partners, Inc.

(*2) The amounts of tax loss carryforward and related deferred tax assets by carryforward period at March 31, 2024 are as follows:

	Millions of Yen						
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	¥1	¥—	¥—	¥—	¥—	¥692	¥693
Valuation allowance	—	—	—	—	—	(692)	(692)
Deferred tax assets	1	—	—	—	—	—	(b)1

	Thousands of U.S. Dollars						
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	$4	$—	$—	$—	$—	$4,572	$4,576
Valuation allowance	—	—	—	—	—	(4,572)	(4,572)
Deferred tax assets	4	—	—	—	—	—	(b) 4

(a) Tax loss carryforward is the amount after multiplying the statutory tax rate.
(b) Deferred tax assets of ¥1 million ($4 thousand) are recognized for tax loss carryforward of ¥693 million ($4,576 thousand), which is the amount after multiplying the statutory tax rate. Deferred tax assets of ¥1 million ($4 thousand) are mainly recognized for certain part of tax loss carryforward of RISA Partners, Inc. As for the above tax loss carryforward, it considered to be recoverable since future taxable income will be available.

The reconciliation between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2024 and 2023 were as follows:

	2024	2023
Statutory tax rate	30.62%	30.62%
(Reconciliation)		
Amortization of goodwill	0.41%	0.40%
Adjustment related to distribution of net income of anonymous partnerships attributable to non-controlling interests	(3.44%)	(7.29%)
Valuation allowance	3.02%	(4.86%)
Expiration of net operating loss carryforwards	—%	—%
Different tax rates applied by consolidated subsidiaries	1.90%	2.45%
Aggregation of income earned by foreign subsidiaries	0.76%	3.50%
Inhabitant tax on per capita basis etc.	0.44%	0.41%
Equity in earnings of affiliates	0.12%	0.07%
Other	(0.44%)	(0.51%)
Effective tax rate	33.15%	24.79%

11. Revenue recognition

This disclosure is omitted as it is immaterial.

12. Accrued Retirement Benefits

The Company has a defined-benefit plan with guaranteed benefits and a defined-contribution pension plan, as well as a severance indemnity plan covering virtually all employees other than directors and corporate auditors.

Under the terms of these plans, eligible employees are entitled to lump-sum payments or annuity payments based on their level of compensation upon termination and their years of service with the Company.

The Company transferred its pension plan from a defined benefit plan to a defined contribution plan on April 1, 2023. Loss of ¥21 million arising from this transfer is recorded under Other income (expenses) for the fiscal year ended March 31, 2023 as "loss on revision of retirement benefit plan", based on "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, January 31, 2002, revised on December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefits Plans" (ASBJ PITF No. 2, March 29, 2002, revised on February 7, 2007).

Certain consolidated subsidiaries have joined in multi-employer defined-benefit corporate pension plan from the current fiscal year, however, for certain plans in which the amount of plan assets corresponding to the Company's contribution cannot be reasonably calculated, the amount is accounted for the same manner as defined-contribution plan.

Defined benefit plans at March 31, 2024 and 2023 were as follows:

(1) Reconciliation of changes in defined benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Defined benefit obligations at beginning of year	**¥3,196**	¥4,628	**$21,120**
Service cost	**180**	229	**1,190**
Interest cost	**35**	51	**229**
Actuarial gains and losses	**(3)**	4	**(18)**
Benefits paid	**(303)**	(476)	**(2,000)**
Reduction due to transition to a defined contribution plan	**(48)**	(1,240)	**(317)**
Defined benefit obligations at end of year	**¥3,057**	¥3,196	**$20,204**

(2) Reconciliation of changes in plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Plan assets at beginning of year	**¥1,501**	¥2,917	**$9,919**
Expected return on plan assets	**38**	73	**248**
Actuarial gains and losses	**89**	(48)	**589**
Employer contributions	**40**	91	**262**
Benefits paid	**(75)**	(270)	**(495)**
Reduction due to transition to a defined contribution plan	—	(1,262)	—
Plan assets at end of year	**¥1,593**	¥1,501	**$10,523**

(3) Reconciliation between defined benefit obligations (plan assets) and amounts of net defined benefit liability (asset) recognized in the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Defined benefit obligations (funded)	**¥1,143**	¥1,209	**$7,551**
Plan assets	**(1,593)**	(1,501)	**(10,523)**
Subtotal	**(450)**	(292)	**(2,972)**
Defined benefit obligations (unfunded)	**1,915**	1,987	**12,653**
Net liability (asset) recognized in the consolidated balance sheet	**¥1,465**	¥1,695	**$9,681**
Net defined benefit liability	**1,915**	2,035	**12,653**
Net defined benefit asset	**(450)**	(340)	**(2,973)**
Net liability (asset) recognized in the consolidated balance sheet	**¥1,465**	¥1,695	**$9,680**

(4) Retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Service cost	**¥180**	¥229	**$1,190**
Interest cost	**35**	51	**229**
Expected return on plan assets	**(38)**	(73)	**(248)**
Amortization of actuarial gains and losses	**53**	20	**348**
Retirement benefit expenses	**¥230**	¥227	**$1,519**
Gains and losses associated with the transition to a defined contribution plan (Note)	**¥—**	¥22	**$—**

(Note)Other income (expenses) was recorded as a "loss on revision of retirement benefit plan."

(5) Adjustment amount of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Actuarial gains and losses	**¥145**	¥(33)	**$956**
Total	**¥145**	¥(33)	**$956**

(6) Remeasurement of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Unrecognized actuarial gains and losses	**¥(92)**	¥53	**$(608)**
Total	**¥(92)**	¥53	**$(608)**

(7) Percentage by major category of plan assets

	2024	2023
Debt securities	**57.0%**	58.7%
Equity securities	**26.0%**	23.3%
General account	**14.8%**	16.1%
Other	**2.2%**	1.9%
Total	**100.0%**	100.0%

In determining long-term expected rate of return on plan assets, the Company considers the current and projected asset allocations, as well as current and future long-term rate of returns for various categories of the plan assets.

(8) Basis for calculation of actuarial assumption (weighted-average)

	2024	2023
Discount rate	**1.1%**	1.1%
Long-term expected rate of return on plan assets	**2.5%**	2.5%

(Note) Defined benefit plans include multi-employer pension plans.

The amount to be paid by the Company to the defined contribution plans was ¥119 million ($787 thousand) for the fiscal year ended March 31, 2024 and ¥69 million for the fiscal year ended March 31, 2023.

The amount to be paid to the multi-employer pension plans, which are accounted for the same manner as the defined-contribution pension plan, were ¥283 million ($1,870 thousand) and ¥259 million for the years ended March 31, 2024 and 2023, respectively.

(1) Fund status of the multi-employer pension plans

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Plan assets	**¥93,049**	¥77,272	**$614,875**
Actuarial obligations for pension plan finance calculation	**90,531**	75,263	**598,236**
Net amount	**¥2,518**	¥2,009	**$16,639**

(2) Ratio of the Group's contribution to the total contributions of the multi-employer pension plans

For the fiscal year ended March 31, 2024 1.21% (From January 1, 2023 to December 31, 2023)

For the fiscal year ended March 31, 2023 1.35% (From January 1, 2022 to December 31, 2022)

(3) Supplementary explanation

The main factors of Net amount listed above (1) were general reserve (¥2,008 million ($13,269 thousand) and ¥1,617 million for the fiscal years ended March 31, 2024 and 2023, respectively) and Retained Earnings (¥509 million ($3,364 thousand) and ¥390 million for the fiscal years ended March 31, 2024 and 2023, respectively). In addition, ratio listed above (2) does not match the actual ratio afforded by the Group.

13. Lease Transactions

Information relating to finance leases of the Company as lessor for the fiscal year ended March 31, 2024 and 2023 is summarized as follows:

(1) Components of investment in leases

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Lease payments receivables	**¥422,392**	¥441,840	**$2,791,198**
Estimation of residual value	**14,924**	16,638	**98,620**
Unearned interest income	**(22,413)**	(20,469)	**(148,107)**
Investment in leases	**¥414,903**	¥438,009	**$2,741,711**

(2) Collecting schedule of lease payments receivables after the fiscal year-ends

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Lease receivables			
Due within 1 year	**¥27,668**	¥27,418	**$182,829**
Due after 1 year through 2 years	**20,400**	21,355	**134,804**
Due after 2 years through 3 years	**13,246**	15,372	**87,533**
Due after 3 years through 4 years	**7,655**	9,364	**50,584**
Due after 4 years through 5 years	**3,289**	4,196	**21,731**
Due after 5 years	**5,229**	5,060	**34,553**
Investment in leases			
Due within 1 year	**¥148,779**	¥154,178	**$983,141**
Due after 1 year through 2 years	**107,193**	112,956	**708,337**
Due after 2 years through 3 years	**74,746**	80,089	**493,929**
Due after 3 years through 4 years	**48,986**	49,028	**323,705**
Due after 4 years through 5 years	**23,194**	24,526	**153,265**
Due after 5 years	**19,494**	21,063	**128,821**

(3) Future lease receivables under non-cancelable operating leases

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Due within 1 year	**¥3,294**	¥3,531	**$21,767**
Due after 1 year	**14,552**	16,871	**96,164**
Total	**¥17,846**	¥20,402	**$117,931**

Future lease payments under non-cancelable operating leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Due within 1 year	**¥1,450**	¥1,656	**$9,581**
Due after 1 year	**9,464**	11,440	**62,540**
Total	**¥10,914**	¥13,096	**$72,121**

14. Pledged Assets

Assets pledged as collateral as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Lease receivables and investment in leases	**¥1,245**	¥1,279	**$8,224**
Operational investment securities	**5,121**	4,081	**33,841**
Real estate for sale	**3,272**	1,849	**21,622**
Leased assets	**21,213**	1,504	**140,177**
Other operating assets	**849**	922	**5,610**
Total	**¥31,700**	¥9,635	**$209,474**

Liabilities secured by the assets pledged as collateral as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Bonds payable	**¥100**	¥100	**$661**
Long-term debt due within a year	**658**	378	**4,347**
Long-term debt	**17,007**	3,407	**112,385**
Total	**¥17,765**	¥3,885	**¥117,393**

Besides the above, the following assets which have been eliminated in consolidation are pledged as collateral

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Investments in capital of subsidiaries and affiliates	**¥128**	¥128	**$845**
Total	**¥128**	¥128	**$845**

Assets pledged for loans of companies which were borrowed from the third parties, etc. as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Accounts receivable - Loans	**¥1,121**	¥1,206	**$7,405**
Investment securities	**2,287**	1,133	**15,111**
Other (Investments and other assets)	**312**	31	**2,063**
Total	**¥3,720**	¥2,370	**$24,579**

15. Financial Instruments
Year ended March 31, 2024

1. Financial instruments

(1) Policies for financial instruments

The Group provides financial services, such as leases, installment sales, and corporate loans, to a wide range of customers, including public offices, local governments, large companies, and small and medium enterprises. The Group also offers services, such as factoring, settlement and collection agency services, and securitization, meeting the financial needs of a diverse array of customers. In addition to these, the Group deal with overseas loans and investments denominated in foreign currencies, certain consolidated subsidiaries also make investments in corporate equities, loans receivable and real estate directly and indirectly through funds.

With a basic policy of maintaining the consistency of funding with its operating assets, the Group manages its funding based on the changes in operating and other assets. Specifically, taking into account the market conditions and the balance of short-term and long-term products or direct and indirect products, the Group raises funds using a range of methods, including bank borrowings as the main funding source, issuance of corporate bonds and commercial paper, and securitized receivables.

The Group's operating assets are comprised principally of those with fixed interest rates such as investment in leases. However, the Group primarily utilizes variable-rate debt obligations to raise funds. The variable-rate debt obligations expose the Group to fluctuations in cash flows as well as profit margin due to change in interest rates. Therefore, the Group strives to properly manage risks associated with fluctuations in interest rates and liquidity risks by carrying out appropriate operating assets and liabilities management (ALM).

With respect to the risks from the fluctuations of interest rates, the Group uses interest rate swaps to hedge the risks of fluctuations in both the present and future profit margin of the Group. The Group does not hold or issue derivative instruments for trading or speculative purposes.

(2) Details and the risks of financial instruments

Operating receivables mainly consist of installment sales receivable, lease receivables and investment in leases, accounts receivable, loans receivable and purchased receivables, and are exposed to the customers' credit risk.

Repayments of these operating receivables are made over a long term from the commencement to the termination of transactions. Consequently, obligations may not be fulfilled in accordance with contracts due to delinquency or bankruptcy, etc., as a result of changes in the economic environment and other factors.

Operational investment securities, securities and investment securities mainly comprise stocks, bonds, trust beneficiary rights, and investments in partnerships, excluding short-term financial assets. These securities are exposed to credit risks associated with the issuers of the securities, risks associated with fluctuations of interest rates, risks of foreign exchange, and risks associated with fluctuations in market prices.

The Group enters into derivative transactions including interest rate swap transactions for hedging the risks of interest rate and currency swap transactions for hedging the risks of foreign exchange. The Group's derivative instruments are exposed to market risks.

Moreover, because the Group borrows funds mainly based on variable rates, the Group is exposed to the risks of interest rate fluctuations. The Group manages these risks by entering into interest rate swap transactions.

The Group primarily uses pay-fixed, receive-variable interest rate swaps to effectively change variable-rate debt obligations to fixed-rate debt obligations to the extent that there are fixed rate operating assets. Therefore, market risks of the hedging derivative instruments are offset by those of the fixed rate operating assets.

To manage the fluctuations in cash flows caused by interest rate changes, the Group enters into interest rate swaps as a hedging instrument. The Group accounts for the interest rate swaps by using hedge accounting. If the criteria for hedge accounting are not met, the Group's profit or loss may be affected. The hedge accounting method, hedging instruments and hedged items, hedging policy, and assessment method of the effectiveness of hedging are discussed in Note 2. k).

The Group is exposed to liquidity risks arising from its borrowings, corporate bonds and commercial paper. That is, if the Group cannot raise funds through the markets for these instruments under certain circumstances, the Group may not be able to make payments on the relevant due dates.

(3) Risk management

(i) Credit risk management

The Group mitigates credit risks for business transactions through monitoring each customer periodically, managing due dates and outstanding balances, and monitoring the difficulty of collection caused by the deterioration of customers' financial positions in accordance with the internal rules.

a) Leases, installment sales and corporate loans

The Credit Department and the Credit Management Department as well as the relevant sales departments are responsible for the management of credit risks of leases, installment sales and corporate loans.

Moreover, at the Management Meeting and meetings of the Board of Directors held on a regular basis, the credit status is reported and examined. In connection with each credit transaction, the Company performs a customer credit evaluation based on the relevant customer's business performance, financial position, projected cash flow, and others. After the evaluation, the Company sets credit limits, internal credit ratings, collateral or guarantees, and terms and conditions of the transaction.

After the transaction has been made, the Company regularly monitors business performance, collateral and progress of repayment by each customer, and revises credit limits when necessary.
In the event of a default due to delinquency, bankruptcy, or others, the Company seeks to protect its claims in accordance with its operating manuals.
With respect to the credit risks of large borrowers, the Management Meeting examines credit limits of those borrowers. Moreover, at meeting of the Board of Directors held on a regular basis, the outstanding balances of claims, internal credit ratings, terms and conditions of the transactions are reported.

b) Securities and purchased receivables
With respect to securities that are held for operational purposes, market prices are periodically assessed for marketable securities and financial conditions of issuers are regularly monitored for the other securities.
With respect to purchased receivables, loans, operational investment securities, and investment securities held by certain consolidated subsidiaries, credit risks of customers or issuers are monitored in accordance with the internal rules and operating manuals. The results of the monitoring are periodically reported to their presidents.

c) Derivative transactions
In dealing with counterparty risks in derivative transactions, the Company's Finance Department monitors the credit risks of financial institutions to avoid losses that arise if the relevant financial institution fails to meet its obligations.

(ii) Market risk management
a) Risks of interest rate fluctuations
As part of ALM, the Group manages the risks of interest rate fluctuations, mainly by using interest rate derivatives. The Group has internal policies of risk management that stipulate risk hedging policies, hedging plan and reporting process. The Board of Directors must approve the hedging plan before the transaction is made.
The Finance Department comprehensively monitors the interest rates and terms of financial assets and liabilities on a continuous basis, and manages risks by utilizing value at risk (VaR). At least once a month, the department reports the status of transactions and current operational strategies to the President of the Company.
With respect to the operation and management of derivative transactions conducted by certain consolidated subsidiaries, the transaction policies and authorization rules are established and derivative transactions are approved through a decision-making process based on a request for approval.

b) Risks of foreign exchange
Both domestic and overseas subsidiaries manage the risks of foreign exchange on operating assets denominated in foreign currencies for each individual transaction. In addition to matching balance of foreign currency denominated assets and liabilities, they have entered into currency swap transactions in order to hedge the risks of foreign exchange. The status on the risks of foreign exchange has been reported regularly to the ALM committee.

c) Risks of price fluctuations
The Group invests in securities for the purpose of customer intimacy in addition to operational investments. The Finance Department regularly monitors market information to manage risks of these securities. This information is reported to the Management Meeting on a regular basis.

d) Derivative transactions
The Company enters into derivative transactions in accordance with its internal policies. The policies include the objectives for derivative instruments, risk management policies and procedures (including authorization, responsibilities and reporting).
In addition, the Company maintains segregation of duties between those with the authority to enter into derivative transactions (front office) and those responsible for bookkeeping (back office) by assigning different employees in the Finance Department.

e) Quantitative information about market risks
The financial instruments affected by the risks of interest rate fluctuations are installment sales receivable, lease receivables and investment in leases, loans receivable, investment securities, long-term debt, bonds and interest rate swaps of derivative transactions.
The risks of interest rate fluctuations of long-term fixed rate assets and liabilities are measured by VaR. The Company calculates VaR using a historical simulation method (holding period of one year, confidence level of 99%, and observation period of ten years) and periodically performs backtesting to confirm and verify its effectiveness.
In addition, calculation method of VaR has changed from variance-covariance method to historical simulation method in order to reflect past long-term market fluctuation to risk volume, and observation period which is a part of main preconditions has changed from one to ten years in this fiscal year.
As of March 31, 2024, the total market risk quantity (estimated amount of losses) of long-term fixed rate assets and liabilities was ¥26 million ($172 thousand).

(iii) Liquidity risk management
The Group mitigates the liquidity risks for funding (risks that the Group will be unable to repay on a repayment date) by using procedures such as follows:
・Appropriately maintain the relationship between cash flows from operating assets and those for operating liabilities on ALM
・Prepare and update the cash flow plan on a timely basis

・Seek diversification of funding sources
・Maintain an appropriate level of liquidity on hand

(4) Supplementary explanation about fair value of financial instruments

Fair values of financial instruments are based on market prices and, in cases where market prices are not available, reasonably calculated prices. Such prices have been calculated based on certain assumptions, and may differ if calculated based on different assumptions.

With respect to the notional amount of derivative transactions in Note 16 "Derivatives," they do not present the Company's exposure to market risks of such derivative transactions.

2. Fair value of financial instruments

	Millions of Yen			Thousands of U.S. Dollars		
	Amount recorded in the consolidated balance sheet	Fair Value	Difference	Amount recorded in the consolidated balance sheet	Fair Value	Difference
(1) Lease receivables and investment in leases	¥489,455			$3,234,357		
Allowance for doubtful accounts (*3)	(1,575)			(10,405)		
(*4)	487,880	485,699	(2,181)	3,223,952	3,209,537	(14,415)
(2) Installment sales receivable	36,639			242,115		
Allowance for doubtful accounts (*3)	(276)			(1,825)		
	36,363	36,493	130	240,290	241,152	862
(3) Loans receivable	230,268			1,521,628		
Allowance for doubtful accounts (*3)	(5,298)			(35,011)		
	224,970	226,466	1,496	1,486,617	1,496,506	9,889
(4) Operational investment securities and Investment securities(*6) ,(*7)	6,942	6,942	—	45,870	45,870	—
Total assets	¥756,155	¥755,600	¥(555)	$4,996,729	$4,993,065	$(3,664)
(1) Bonds	¥100,750	¥99,407	¥(1,343)	$665,763	$656,892	$(8,871)
(2) Long-term debt	503,129	502,997	(132)	3,324,709	3,323,842	(867)
Total liabilities	¥603,879	¥602,404	¥(1,475)	$3,990,472	$3,980,734	$(9,738)
Derivatives (*5)	¥(2,657)	¥(2,657)	¥—	$(17,557)	$(17,557)	$—

(*1) "Cash and cash equivalents" are not disclosed because they are cash and are settled in a short period of time and their fair value approximates their book value. "Accounts receivable – leases", "Income taxes receivable", "Notes and accounts payable-trade", "Short-term borrowings", "Accounts payable, other", "Accrued income taxes" and "Deposits received" are not disclosed as well because they are settled in a short period of time and their fair value approximates their book value.

(*2) "Purchased receivables", "Receivables from companies in bankruptcy and reorganization" and "Payables under securitized lease receivables" are not disclosed because they are quantitatively immaterial.

(*3) An allowance for doubtful accounts that has been provided for installment sales receivable, lease receivables and investment in leases, loans receivable has been deducted.

(*4) The amounts presented in the consolidated balance sheet and the fair value provided for include the estimated residual value.

(*5) The amount of assets and liabilities incurred from derivative transactions is presented on a net basis. Items that fall into net liabilities are presented in ( ).

(*6) Investments securities that do not have quoted market prices are not included in "Asset (4) Operational investment securities and investment securities" and the amount recognized in the consolidated balance sheet is as follows.

	Amount presented in the consolidated balance sheet	
	Millions of Yen	Thousands of U.S. Dollars
Unlisted stocks	¥38,927	$257,233

(*7) The investment in partnerships and other similar entities recognized at the net amount corresponding to the portion pertaining to the equity interests owned by the Company on the consolidated balance sheet are not disclosed. The book value of such investments recognized on the consolidated balance sheet is ¥51,096 million ($337,646 thousand).

The following table shows the scheduled maturity payments of monetary claims and securities with maturity dates after March 31, 2024

Millions of Yen

	Millions of Yen			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥53,723	¥—	¥—	¥—
Lease receivables and investment in leases (*1)(*2)	176,446	298,708	19,704	5,020
Installment sales receivables (*1)(*2)	18,339	18,898	304	—
Loans receivables (*2)	124,572	90,566	19,112	1,024
Accounts receivables-leases (*2)	23,814	—	—	—
Purchased receivables (*3)	2,408	2,357	293	15
Income taxes receivable	253	—	—	—
Available-for-sale securities				
Debt/bond	—	1,005	303	—
Total	¥399,555	¥411,534	¥39,716	¥6,059

	Thousands of U.S. Dollars			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	$355,005	$—	$—	$—
Lease receivables and investment in leases (*1)(*2)	1,165,971	1,973,888	130,200	33,173
Installment sales receivable (*1)(*2)	121,185	124,877	2,007	—
Loans receivables (*2)	823,180	598,468	126,298	6,763
Accounts receivable-leases (*2)	157,365	—	—	—
Purchased receivables (*3)	15,912	15,574	1,937	101
Income taxes receivable	1,674	—	—	—
Available-for-sale securities				
Debt/bond	—	6,643	2,002	—
Total	$2,640,292	$2,719,450	$262,444	$40,037

(*1) The amount of interest income is included in the maturity table above.
(*2) Receivables from companies in bankruptcy and reorganization of ¥5,154 million ($34,058 thousand) are not included in the table above, because payments are not expected to be collected on schedule.
(*3) Purchased receivables of ¥4,067 million ($26,875 thousand) are not included in the table above, because payments are not expected to be collected on schedule.

The following table shows the scheduled maturity payments of unsecured bonds, long-term debt and other interest-bearing liabilities subsequent to March 31, 2024

	Millions of Yen					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	¥312,367	¥—	¥—	¥—	¥—	¥—
Unsecured bonds	15,000	20,000	30,600	150	15,000	20,000
Long-term debt	110,145	196,444	155,977	9,616	11,619	19,327
Payables under securitized lease receivables	484	421	200	200	139	1,255
Total	¥437,996	¥216,865	¥186,777	¥9,966	¥26,758	¥40,582

	Thousands of U.S. Dollars					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	$2,064,142	$—	$—	$—	$—	$—
Unsecured bonds	99,121	132,162	202,207	991	99,121	132,162
Long-term debt	727,850	1,298,118	1,030,705	63,541	76,778	127,717
Payables under securitized lease receivables	3,197	2,781	1,321	1,321	921	8,294
Total	$2,894,310	$1,433,061	$1,234,233	$65,853	$176,820	$268,173

3. Fair value of financial instruments by each level

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

Level 1 fair value: Fair value is calculated based on quoted prices of assets or liabilities subject to the calculation of fair values that are formed in an active market out of observable inputs to a fair value measurement.

Level 2 fair value: Fair value is calculated based on inputs that are other than the inputs to a fair value measurement of level 1, out of observable inputs to a fair value measurement.

Level 3 fair value: Fair value is calculated based on unobservable inputs.
When multiple inputs that have a significant effect on fair value measurement are used, fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which those inputs belong.

(1) Financial instruments recognized at fair value on the consolidated balance sheet

March 31, 2024

	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities				
Other securities				
Equity securities	¥957	¥88	¥—	¥1,044
Debt securities	—	—	1,375	1,375
Other	537	3,986	—	4,523
Derivative transactions				
Interest-related transactions	—	433	—	433
Total assets	¥1,494	¥4,506	¥1,375	¥7,375
Derivative transactions				
Currency-related transactions	—	(3,090)	—	(3,090)
Total liabilities	¥—	¥(3,090)	¥—	¥(3,090)

March 31, 2024

	Fair value (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities				
Other securities				
Equity securities	$6,321	$578	$−	$6,899
Debt securities	−	−	9,084	9,084
Other	3,550	26,337	−	29,887
Derivative transactions				
Interest-related transactions	−	2,863	−	2,863
Total assets	$9,871	$29,778	$9,084	$48,733
Derivative transactions				
Currency-related transactions	−	(20,420)	−	(20,420)
Total liabilities	$−	$(20,420)	$−	$(20,420)

(2) Financial instruments other than those recognized at fair value on the consolidated balance sheet

March 31, 2024

	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Installment sales receivables	¥−	¥−	¥36,493	¥36,493
Lease receivables and investment in leases	−	−	485,699	485,699
Loans receivables	−	−	226,466	226,466
Total assets	¥−	¥−	¥748,659	¥748,659
Bonds (including current portion)	−	99,258	150	99,408
Long-term debt (including current portion)	−	−	502,997	502,997
Total liabilities	¥−	¥99,258	¥503,147	¥602,405

March 31, 2024

	Fair value (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Installment sales receivables	$−	$−	$241,151	$241,151
Lease receivables and investment in leases	−	−	3,209,537	3,209,537
Loans receivables	−	−	1,496,506	1,496,506
Total assets	$−	$−	$4,947,194	$4,947,194
Bonds (including current portion)	−	655,902	989	656,892
Long-term debt (including current portion)	−	−	3,323,843	3,323,842
Total liabilities	$−	$655,902	$3,324,832	$3,980,734

(Note 1) Description of the valuation techniques and inputs used to measure fair value

Operational investment securities and investment securities

The fair values of securities for which unadjusted quoted prices in active markets are available are classified as Level 1. The fair values of securities for which quoted prices are available, but their markets are inactive, are classified as Level 2.

The fair value of investment trusts without market prices is based on a unit price if there are no restrictions that are significant enough to cause market participants to demand compensation for risks with respect to cancellation or repurchase requests, and the fair value is categorized as level 2.

The fair values of private placement bonds are determined based on reasonably estimated amounts and their discount rates are not observable, and therefore, these are classified as Level 3.

Derivative transactions

The fair values of derivative transactions are determined based on quotes obtained provided by dealers and financial institutions and these are classified as level 2 if observable inputs are available or the impact of unobservable inputs to the fair value is immaterial.

Installment sales receivables, lease receivables and lease investments

The fair values of these items are calculated by the present values based on the sum of principal and interest of each contract discounted by interest rates estimated to be applied to similar new transactions and these are classified as

level 3.
The fair values of the doubtful receivables are calculated based on the estimated future cash flows of each contract discounted by risk-free rate and these are classified as level 3.

Loans receivables
With respect to loans receivables with variable interest rates, the interest rates reflect the market interest rates in the short term. Unless the credit conditions of debtors significantly change after the executions of loans, the book values of such loans receivables are presented as the fair values because their fair value approximates their book value and these are classified as level 3. With respect to loans receivables with fixed interest rates, the fair values are determined based on the present values that are calculated by discounting the estimated future cash flows of each contract at interest rates estimated to be applied if newly obtaining a loan with similar terms and conditions and these are classified as level 3.
The fair values of the doubtful receivables are calculated based on the estimated future cash flows of each contract discounted by risk-free rate and these are classified as level 3.

Bonds
The fair values of bonds issued by the Company are determined based on their published market prices and these are classified as level 2.
The fair values of bonds issued by the consolidated subsidiaries of the Company are determined by the present values based on the sum of principal and interest of such bonds discounted by the interest rates estimated to be applied if newly procuring funds with similar terms and conditions and these are classified as level 3.

Long-term debt
With respect to long-term debt with variable interest rates, the interest rate reflects the market interest rates in the short term. Accordingly, the book values of such debt are presented as the fair values because their fair value approximates their book value and these are classified as level 3.
With respect to long-term debt with fixed interest rates, the fair values are determined based on the present values that are calculated by discounting the estimated future cash flows of each debt at interest rates estimated to be applied if newly obtaining a debt with similar terms and conditions and these are classified as level 3.

(Note 2) Information concerning the fair values of level 3 financial assets and liabilities that are stated at fair value in the consolidated balance sheet.
(1) Quantitative information on significant unobservable inputs

March 31, 2024

	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted average of inputs
Operational investment securities and investment securities				
Other securities				
Debt securities	Present value method	Discount rate	5.3%-7.2%	6.2%

(2) Reconciliation between beginning balance and ending balance, and net unrealized gains (losses) recognized in profit or loss in the period

Year ended March 31, 2024

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	Operational investment securities and investment securities	Total	Operational investment securities and investment securities	Total
	Other securities		Other securities	
	Debt securities		Debt securities	
Beginning balance	¥720	¥720	$4,759	$4,759
Recognized in profit or loss or other comprehensive income for the year				
Recognized in profit or loss (*1)				
Recognized in other comprehensive income (*2)	(41)	(41)	(274)	(274)
Purchases, sales, issuance and redemption				
Purchases	970	970	6,410	6,410
Sales	(250)	(250)	(1,652)	(1,652)
Issuance	(153)	(153)	(1,008)	(1,008)
Redemption	－	－	－	－
Reclassification to Level 3 fair value	－	－	－	－
Reclassification from level 3 fair value	－	－	－	－
Other	129	129	850	850
Ending balance	¥1,375	¥1,.375	$9,085	$9,085
Net unrealized gains (losses) recognized in the period with respect to those financial assets and liabilities held at the end of the period. (*1)	－	－	－	－

(*1) Included in "Costs" in the consolidated statements of income

(*2) Included in "Net unrealized gains (losses) on marketable securities" of "Other comprehensive income (loss)" in the consolidates statements of comprehensive income.

(3) Description of the fair value measurement process

The Company develops valuation techniques and methods for classifying fair value levels in accordance with the policies concerning fair value measurement and classification of fair value levels. The Company also verifies the appropriateness of the valuation techniques used to determine fair value, the inputs used, the calculated fair values and classified fair value levels in accordance with such policies.

(4) Description of the effects of the fair value with respect to changes in significant unobservable inputs

Significant unobservable inputs used to calculate the fair values of debt securities with fixed rates included in other securities are considered as discount rates. The discount rates represent estimates of interest rates to be applied when new similar transactions. Generally, a significant decline (increase) in discount rates causes a significant increase (decline) in their fair values.

Year ended March 31, 2023

1.Fair value of financial instruments

	Millions of Yen		
	Amount recorded in the consolidated balance sheet	Fair Value	Difference
(1) Lease receivables and investment in leases	¥517,945		
Allowance for doubtful accounts (*3)	(1,670)		
(*4)	516,275	512,417	(3,858)
(2) Installment sales receivable	38,828		
Allowance for doubtful accounts (*3)	(319)		
	38,509	38,150	(359)
(3) Loans receivable	231,612		
Allowance for doubtful accounts (*3)	(6,464)		
	225,148	224,442	(706)
(4) Operational investment securities and Investment securities(*6) ,(*7), (*8)	8,243	8,243	—
Total assets	¥788,175	¥783,252	¥(4,923)
(1) Bonds	¥100,150	¥99,135	¥(1,015)
(2) Long-term debt	485,122	484,916	(206)
Total liabilities	¥585,272	¥584,051	¥(1,221)
Derivatives (*5)	¥(2,594)	¥(2,594)	¥—

(*1) "Cash and cash equivalents" are not disclosed because they are cash and are settled in a short period of time and their fair value approximates their book value. "Accounts receivable – leases", "Income taxes receivable", "Notes and accounts payable-trade", "Short-term borrowings", "Accounts payable, other", "Accrued income taxes" and "Deposits received" are not disclosed as well because they are settled in a short period of time and their fair value approximates their book value.

(*2) "Purchased receivables", "Receivables from companies in bankruptcy and reorganization" and "Payables under securitized lease receivables" are not disclosed because they are quantitatively immaterial.

(*3) An allowance for doubtful accounts that has been provided for installment sales receivable, lease receivables and investment in leases, loans receivable has been deducted.

(*4) The amounts presented in the consolidated balance sheet and the fair value provided for include the estimated residual value.

(*5) The amount of assets and liabilities incurred from derivative transactions is presented on a net basis. Items that fall into net liabilities are presented in ( ).

(*6) Investments securities that do not have quoted market prices are not included in "Asset (4) Operational investment securities and investment securities" and the amount recognized in the consolidated balance sheet is as follows.

	Amount presented in the consolidated balance sheet
	Millions of Yen
Unlisted stocks	¥34,003

(*7) The investment in partnerships and other similar entities recognized at the net amount corresponding to the portion pertaining to the equity interests owned by the Company on the consolidated balance sheet are not disclosed. The book value of such investments recognized on the consolidated balance sheet is ¥42,366 million.

The following table shows the scheduled maturity payments of monetary claims and securities with maturity dates after March 31, 2023

Millions of Yen

	Millions of Yen			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥35,558	¥—	¥—	¥—
Lease receivables and investment in leases (*1)(*2)	181,596	316,887	20,830	5,294
Installment sales receivables (*1)(*2)	19,255	20,141	315	—
Loans receivables (*2)	124,240	92,616	14,061	1,851
Accounts receivables-leases (*2)	22,035	—	—	—
Purchased receivables (*3)	4,061	4,066	295	32
Income taxes receivable	754	—	—	—
Available-for-sale securities				
Debt/bond	—	235	533	—
Total	¥387,499	¥433,945	¥36,034	¥7,177

(*1) The amount of interest income is included in the maturity table above.
(*2) Receivables from companies in bankruptcy and reorganization of ¥2,014 million are not included in the table above, because payments are not expected to be collected on schedule.
(*3) Purchased receivables of ¥3,965 million are not included in the table above, because payments are not expected to be collected on schedule.

The following table shows the scheduled maturity payments of unsecured bonds, long-term debt and other interest-bearing liabilities subsequent to March 31, 2023

	Millions of Yen					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	¥270,091	¥—	¥—	¥—	¥—	¥—
Unsecured bonds	20,000	15,000	20,000	15,000	150	30,000
Long-term debt	149,486	109,094	185,917	23,568	9,745	7,312
Payables under securitized lease receivables	1,287	484	421	200	200	1,394
Total	¥440,864	¥124,578	¥206,338	¥38,768	¥10,095	¥38,706

2. Fair value of financial instruments by each level

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

Level 1 fair value: Fair value is calculated based on quoted prices of assets or liabilities subject to the calculation of fair values that are formed in an active market out of observable inputs to a fair value measurement.

Level 2 fair value: Fair value is calculated based on inputs that are other than the inputs to a fair value measurement of level 1, out of observable inputs to a fair value measurement.

Level 3 fair value: Fair value is calculated based on unobservable inputs.
When multiple inputs that have a significant effect on fair value measurement are used, fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which those inputs belong.

(1) Financial instruments recognized at fair value on the consolidated balance sheet

March 31, 2023

	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities				
Other securities				
Equity securities	¥1,694	¥88	¥―	¥1,782
Debt securities	―	―	720	720
Other	656	5,084	―	5,740
Derivative transactions				
Interest-related transactions	―	172	―	172
Total assets	¥2,350	¥5,344	720	¥8,415
Derivative transactions				
Currency-related transactions	―	(2,767)	―	(2,767)
Total liabilities	¥―	¥(2,767)	¥―	¥(2,767)

(2) Financial instruments other than those recognized at fair value on the consolidated balance sheet

March 31, 2023

	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Installment sales receivables	¥―	¥―	¥38,150	¥38,150
Lease receivables and investment in leases	―	―	512,417	512,417
Loans receivables	―	―	224,442	224,442
Total assets	¥―	¥―	¥775,009	¥775,009
Bonds (including current portion)	―	98,986	150	99,136
Long-term debt (including current portion)	―	―	484,916	484,916
Total liabilities	¥―	¥98,986	¥485,066	¥584,052

(Note 1) Description of the valuation techniques and inputs used to measure fair value

Operational investment securities and investment securities

The fair values of securities for which unadjusted quoted prices in active markets are available are classified as Level 1. The fair values of securities for which quoted prices are available, but their markets are inactive, are classified as Level 2.

The fair values of private placement bonds are determined based on reasonably estimated amounts and their discount rates are not observable, and therefore, these are classified as Level 3.

Derivative transactions

The fair values of derivative transactions are determined based on quotes obtained provided by dealers and financial institutions and these are classified as level 2 if observable inputs are available or the impact of unobservable inputs to the fair value is immaterial.

Installment sales receivables, lease receivables and lease investments

The fair values of these items are calculated by the present values based on the sum of principal and interest of each contract discounted by interest rates estimated to be applied to similar new transactions and these are classified as level 3.

The fair values of the doubtful receivables are calculated based on the estimated future cash flows of each contract discounted by risk-free rate and these are classified as level 3.

Loans receivables

With respect to loans receivables with variable interest rates, the interest rates reflect the market interest rates in the short term. Unless the credit conditions of debtors significantly change after the executions of loans, the book values of such loans receivables are presented as the fair values because their fair value approximates their book value and these are classified as level 3. With respect to loans receivables with fixed interest rates, the fair values are determined based on the present values that are calculated by discounting the estimated future cash flows of each contract at interest rates estimated to be applied if newly obtaining a loan with similar terms and conditions and these are classified as level 3.

The fair values of the doubtful receivables are calculated based on the estimated future cash flows of each contract discounted by risk-free rate and these are classified as level 3.

Bonds

The fair values of bonds issued by the Company are determined based on their published market prices and these are classified as level 2.

The fair values of bonds issued by the consolidated subsidiaries of the Company are determined by the present values based on the sum of principal and interest of such bonds discounted by the interest rates estimated to be applied if newly procuring funds with similar terms and conditions and these are classified as level 3.

Long-term debt

With respect to long-term debt with variable interest rates, the interest rate reflects the market interest rates in the short term. Accordingly, the book values of such debt are presented as the fair values because their fair value approximates their book value and these are classified as level 3.

With respect to long-term debt with fixed interest rates, the fair values are determined based on the present values that are calculated by discounting the estimated future cash flows of each debt at interest rates estimated to be applied if newly obtaining a debt with similar terms and conditions and these are classified as level 3.

(Note 2) Information concerning the fair values of level 3 financial assets and liabilities that are stated at fair value in the consolidated balance sheet.

(1) Quantitative information on significant unobservable inputs

March 31, 2023

	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted average of inputs
Operational investment securities and investment securities				
Other securities				
Debt securities	Present value method	Discount rate	5.2%-7.0%	6.3%

(2) Reconciliation between beginning balance and ending balance, and net unrealized gains (losses) recognized in profit or loss in the period

Year ended March 31, 2023

(Millions of Yen)

	Operational investment securities and investment securities Other securities Debt securities	Total
Beginning balance	¥801	¥801
Recognized in profit or loss or other comprehensive income for the year		
Recognized in profit or loss (*1)	7	7
Recognized in other comprehensive income (*2)	—	—
Purchases, sales, issuance and redemption	—	—
Purchases	50	50
Sales	—	—
Issuance	—	—
Redemption	—	—
Reclassification to Level 3 fair value	—	—
Reclassification from level 3 fair value	—	—
Other	(138)	(138)
Ending balance	¥720	¥720
Net unrealized gains (losses) recognized in the period with respect to those financial assets and liabilities held at the end of the period. (*1)	—	—

(*1) Included in "Costs" in the consolidated statements of income

(*2) Included in "Net unrealized gains (losses) on marketable securities" of "Other comprehensive income (loss)" in the consolidates statements of comprehensive income.

(3) Description of the fair value measurement process

The Company develops valuation techniques and methods for classifying fair value levels in accordance with the policies concerning fair value measurement and classification of fair value levels. The Company also verifies the appropriateness of the valuation techniques used to determine fair value, the inputs used, the calculated fair values and classified fair value levels in accordance with such policies.

(4) Description of the effects of the fair value with respect to changes in significant unobservable inputs

Significant unobservable inputs used to calculate the fair values of debt securities with fixed rates included in other securities are considered as discount rates. The discount rates represent estimates of interest rates to be applied when new similar transactions. Generally, a significant decline (increase) in discount rates causes a significant increase (decline) in their fair values.

16. Derivatives
Year ended March 31, 2024
(1) Derivatives for which hedge accounting is not applied
Derivatives related to currency at March 31, 2024 were as follows:

	March 31, 2024			
	Amount of contract	Gain	Loss	Fair value
	Millions of Yen			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	¥29,068	¥—	¥—	¥(3,019)
receipt Yen, payment EUR	306	—	49	(49)
receipt U.S. dollar, payment Malaysian Ringgit	216	16	—	16
receipt Yen, payment Malaysian Ringgit	1,157	—	38	(38)

	March 31, 2024			
	Amount of contract	Gain	Loss	Fair value
	Thousands of U.S. Dollars			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	$192,086	$—	$—	$(19,951)
receipt Yen, payment EUR	2,023	—	323	(323)
receipt U.S. dollar, payment Malaysian Ringgit	1,425	105	—	105
receipt Yen, payment Malaysian Ringgit	7,642	—	252	(252)

The fair value is determined based on quoted prices provided by dealers and other financial institutions.

(2) Derivatives for which hedge accounting is applied
Derivatives related to currency at March 31, 2024 were as follows:
Not applicable

Interest rate related transactions at March 31, 2024 were as follows:

Interest rate swaps that are accounted for using deferral hedge accounting

		March 31, 2024		
	Hedged item	Notional amount	Notional amount expiring on April 1, 2023 or after	Fair value (*1)
		Millions of Yen		
Interest rate swap transactions				
pay fixed, receive variable	Borrowings	¥307,700	¥273,700	¥433

		March 31, 2024		
	Hedged item	Notional amount	Notional amount expiring on April 1, 2023 or after	Fair value (*1)
		Thousands of U.S. Dollars		
Interest rate swap transactions				
pay fixed, receive variable	Borrowings	$2,033,305	$1,808,630	$2,863

(*1) The fair value is determined based on quoted prices provided by dealers and other financial institutions.

Year ended March 31, 2023

(1) Derivatives for which hedge accounting is not applied

Derivatives related to currency at March 31, 2023 were as follows:

	March 31, 2023			
	Amount of contract	Gain	Loss	Fair value
	Millions of Yen			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	¥25,830	¥—	¥2,680	¥(2,680)
receipt Yen, payment EUR	820	—	46	(46)
receipt Yen, payment Singapore dollar	2,012	—	59	(59)
receipt U.S. dollar, payment Malaysian Ringgit	681	12	—	12
receipt Yen, payment Malaysian Ringgit	765	7	—	7

The fair value is determined based on quoted prices provided by dealers and other financial institutions.

(2) Derivatives for which hedge accounting is applied

Derivatives related to currency at March 31, 2023 were as follows:

Not applicable

Interest rate related transactions at March 31, 2023 were as follows:

Interest rate swaps that are accounted for using deferral hedge accounting

		March 31, 2023		
	Hedged item	Notional amount	Notional amount expiring on April 1, 2022 or after	Fair value (*1)
		Millions of Yen		
Interest rate swap transactions				
pay fixed, receive variable	Borrowings	¥225,441	¥120,300	¥172

(*1) The fair value is determined based on quoted prices provided by dealers and other financial institutions.

17.Stock options

1.Details, number and movement of advance grant-type stock options as part of free stock options granted to directors as compensation

(1) Details of advance grant-type stock options

	Advance grant-type stock options for 2022	Advance grant-type stock options for 2023
Title and number of grantees (Persons)	4 directors of the Company	4 directors of the Company
Class and number of shares granted	4,366 shares ordinary stocks	5,671 shares ordinary stocks
Date of grant	August 24, 2022	July 26, 2023
Vesting conditions	The restriction with respect to all the shares granted will be lifted at the expiration of the transfer restriction period, provided that the grantees continue to be directors of the Company during the period from July 1, 2022 to the completion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2023 (hereinafter referred to as the "service period"). If a grantee loses his/her position as director during the service period, the restriction with respect to the number of granted shares calculated by multiplying number of months for the period from July 2022 to the month which his/her resignation date belongs to and divided by 12 (fraction number of shares shall be rounded down if any) will be lifted at the expiration of the restriction period.	The restriction with respect to all the shares granted will be lifted at the expiration of the transfer restriction period, provided that the grantees continue to be directors of the Company during the period from July 1, 2023 to the completion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2024 (hereinafter referred to as the "service period"). If a grantee loses his/her position as director during the service period, the restriction with respect to the number of granted shares calculated by multiplying number of months for the period from July 2023 to the month which his/her resignation date belongs to and divided by 12 (fraction number of shares shall be rounded down if any) will be lifted at the expiration of the restriction period.
Service period	From July 1, 2022 to June 26, 2023	From July 1, 2023 to June 27, 2024

(2) Number of advance grant-type stock options and their movement

(i)Amount and account

	Year ended March 31, 2023	Year ended March 31, 2024
Selling, general, and administrative expenses	¥9 million	¥15 million ($99thousand)

(ii)Number of shares

The following table shows the information of advance grant-type stock options with outstanding non-vested shares during

the year ended March 31, 2024.

	Advance grant-type stock options for 2022	Advance grant-type stock options for 2023
As of March 31, 2023 (shares)	4,366	—
Granted (shares)	—	5,671
Forfeited (shares)	—	—
Vested (shares)	4,366	—
As of March 31, 2024 (shares)	—	5,671

(iii) Price information

Fairly value at date of grant (Yen)	¥2,101	¥3,085

2.Details, number and movement of subsequent grant-type stock options as part of free stock options granted to directors as compensation

None

3.Estimation method for fair unit value

The Company used the closing price of the Company's common stock on the Tokyo Stok Exchange on the business day immediately preceding the date of resolution by the Board of Directors.

4.Estimation method for the number of shares to be vested

For advance grant-type stock options, basically, it is difficult to reasonably estimate the number of shares to be forfeited. Therefore, the Company adopted a method by reflecting the actual number of shares forfeited only.

18. Segment Information
Years ended March 31, 2024 and 2023

(1) Overview of reportable segments

(i) Methods of identification of reportable segment

The reportable segment of the Group is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the management to make decisions about resources to be allocated to the segment and assess its performance.

The Group mainly provides financial services such as leases, installment sales and corporate loans for a wide range of customers, such as public offices, local governments, large companies, and small and medium enterprises.

Additionally, certain consolidated subsidiaries of the Group provide corporate investment, loan asset investment and advisory services directly and indirectly through funds, as well as the new businesses the Group pursuing, and a range of other services. The Group has four reportable segments (Leasing Business, Finance Business, Investment Business and Other Business), which are determined based on the nature of their main business transactions.

(ii) Products and services by reportable segment

The Leasing Business includes leasing and rental of information and communication devices, office equipment, and other equipment investments, installment sales, etc., as well as sales of equipment associated with leasing, sales of used equipment of off-leased or terminated leasing contracts, rendering of maintenance services for leased equipment etc.

The Finance Business includes loans, factoring, and investment activities for securities held to obtain dividend income, etc.

The Investment Business includes investment for venture business aiming at receiving gains on sales of such investment, etc., as well as asset, real estate, and finance and advisory service business, etc. operated by RISA Partners, Inc.

The Other Business includes new businesses in the field of energy, tourism, agriculture and healthcare, PFI/PPP business, other services and etc.

(2) Method of calculating revenues, profit or loss, assets, liabilities, and other items by reportable segment

The accounting policies for the reportable segments presented are the same as described in Note 2 "Summary of Significant Accounting Policies".

(3) Information about revenues, profit or loss, assets, liabilities, and other items by reportable segment as of March 31, 2024 and 2023 was as follows:

	2024						
	Reportable segments					Adjustment	Amount recorded in the consolidated financial statements
	Leasing and Installment Sales	Finance	Investment	Other	Total		
	Millions of Yen						
Revenues							
Revenues from customers	¥228,437	¥9,110	¥13,642	¥4,668	¥255,857	¥—	¥255,857
Intersegment revenues	0	—	64	26	90	(90)	—
Total	¥228,437	¥9,110	¥13,706	¥4,694	¥255,947	¥(90)	¥255,857
Segment income	¥5,464	¥3,321	¥4,074	¥627	¥13,486	¥(1,791)	¥11,695
Segment assets	645,327	243,763	146,503	46,059	1,081,652	35,711	1,117,363
Others							
Depreciation	¥25,773	¥81	¥200	¥1,081	¥27,135	¥72	¥27,207
Amortization of goodwill	177	—	—	20	197	—	197
Investment in affiliated companies	709	837	9,544	7,033	18,123	—	18,123
Increase in property and equipment and intangible assets	29,182	338	20,184	2,208	51,912	302	52,214

	2024						
	Reportable segments					Adjustment	Amount recorded in the consolidated financial statements
	Leasing and Installment Sales	Finance	Investment	Other	Total		
	Thousands of U.S. Dollars						
Revenues							
Revenues from customers	$1,509,531	$60,203	$90,148	$30,843	$1,690,725	$—	$1,690,725
Intersegment revenues	0	—	420	174	594	(594)	—
Total	$1,509,531	$60,203	$90,568	$31,017	$1,691,319	$(594)	$1,690,725
Segment income	$36,108	$21,945	$26,921	$4,146	$89,120	$(11,838)	$77,282
Segment assets	4,264,372	1,610,808	968,099	304,363	7,147,642	235,979	7,383,621
Others							
Depreciation	$170,311	$533	$1,318	$7,149	$179,311	$477	$179,788
Amortization of goodwill	1,169	—	—	135	1,304	—	1,304
Investment in affiliated companies	4,687	5,527	63,070	46,476	119,760	—	119,760
Increase in property and equipment and intangible assets	192,835	2,236	133,375	14,592	343,038	1,998	345,036

- Adjustment of ¥(1,791) million ($(11,838) thousand) in segment income is an amount of difference between segment income and operating income on the consolidated statement of income, which is mainly general administrative expenses not attributable to each reportable segment.

- Adjustment of ¥35,711 million ($235,979 thousand) in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥302 million ($1,998 thousand) in increase in property and equipment and intangible assets is an investment in corporate assets.
- Increase due to new consolidation is not included in increase in property and equipment and intangible assets.

	2023						
	Reportable segments					Adjustment	Amount recorded in the consolidated financial statements
	Leasing	Finance	Investment	Other	Total		
	Millions of Yen						
Revenues							
Revenues from customers	¥224,303	¥6,569	¥22,778	¥4,456	¥258,106	¥—	¥258,106
Intersegment revenues	3	—	35	7	45	(45)	—
Total	¥224,306	¥6,569	¥22,813	¥4,463	¥258,151	¥(45)	¥258,106
Segment income	¥6,368	¥2,154	¥4,412	¥493	¥13,427	¥(1,714)	¥11,713
Segment assets	644,758	241,341	103,270	39,342	1,028,711	27,165	1,055,876
Others							
Depreciation	¥17,617	¥76	¥106	¥852	¥18,651	¥81	¥18,732
Amortization of goodwill	163	—	18	20	201	—	201
Investment in affiliated companies	959	154	8,237	6,205	15,555	—	15,555
Increase in property and equipment and intangible assets	21,249	384	62	3,342	25,037	408	25,445

- Adjustment of ¥(1,714) million in segment income is an amount of difference between segment income and operating income on the consolidated statement of income, which is mainly general administrative expenses not attributable to each reportable segment.
- Adjustment of ¥27,165 million in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥408 million in increase in property and equipment and intangible assets is an investment in corporate assets.
- Increase due to new consolidation is not included in increase in property and equipment and intangible assets.

(4) Related Information
(i) Information by geographical areas
a) Revenues
Disclosure of revenues by geographical areas is omitted because the amount of domestic revenues is more than 90% of the amount of the consolidated revenues.

b) Property and equipment
Disclosure of property and equipment by geographical areas is omitted because the amount of domestic property and equipment is more than 90% of the amount of the consolidated property and equipment.

(ii) Information by major customers
Information by major customers is not disclosed because there are no customers whose revenues are more than 10% of the amount of the consolidated revenues.

(5) Information about impairment losses of property and equipment and intangible assets by reportable segment
Not applicable

(6) Information about amortization of goodwill and unamortized balances by reportable segment at March 31, 2024 and 2023 was as follows:

	2024						
	Reportable Segments					Corporate or Elimination	Total
	Leasing and Installment Sales	Finance	Investment	Other	Total		
	Millions of Yen						
Amortization for the current fiscal year	**¥177**	**¥—**	**¥—**	**¥20**	**¥197**	**¥—**	**¥197**
Balance at March 31, 2024	**1,228**	**—**	**—**	**293**	**1,521**	**—**	**1,521**

	2024						
	Reportable Segments					Corporate or Elimination	Total
	Leasing and Installment Sales	Finance	Investment	Other	Total		
	Thousands of U.S. Dollars						
Amortization for the current fiscal year	**$1,169**	**$—**	**$—**	**$135**	**$1,304**	**$—**	**$1,304**
Balance at March 31, 2024	**8,117**	**—**	**—**	**1,936**	**10,053**	**—**	**10,053**

	2023						
	Reportable Segments					Corporate or Elimination	Total
	Leasing	Finance	Investment	Other	Total		
	Millions of Yen						
Amortization for the current fiscal year	¥163	¥—	¥18	¥20	¥201	¥—	¥201
Balance at March 31, 2023	1,247	—	—	313	1,560	—	1,560

(7) Information about negative goodwill by reportable segment
Not applicable

19. Net Assets

Under the Law and its related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

The Law provides that earnings in an amount equal to at least 10 percent of appropriations of retained earnings to be paid as dividends should be appropriated as a capital surplus or a legal reserve until the total of capital surplus and legal reserve equals 25 percent of stated common stock. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets. In addition to transfer from capital surplus to stated common stock, either capital surplus or legal reserve may be available for dividends by resolution of the general meeting of shareholders.

Under the Law, all additional paid-in capital and all legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the meeting of the Board of Directors of the Company held on May 22, 2024, cash dividends amounting to ¥1,399 million ($9,245 thousand) were approved. This appropriation has not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2024.

20. Related Party Transactions
Year ended March 31, 2024:

(1) Transactions with parent and major shareholder of the Company

The Company procured equipment for lease transactions from NEC Corporation that has a 37.7% ownership share in the Company at a transaction amount of ¥36,191 million ($239,154 thousand) for the year, and the outstanding balance of ¥3,112 million ($20,567 thousand) at the year-end has been included in "Notes and accounts payable – trade." The Company entered into factoring contracts with NEC Corporation at a transaction amount of ¥25,044 million ($165,491 thousand) and the outstanding balance of ¥8,779 million ($58,011 thousand) at the year-end has been included in "Accounts receivable – Loans."

(2) Transactions with subsidiaries of the Company's other affiliated companies

The Company procured equipment for lease transactions from NEC Fielding, Ltd. at a transaction amount of ¥11,823 million ($78,126 thousand) for the year, and the outstanding balance of ¥1,832 million ($12,104 thousand) at the year-end has been included in "Notes and accounts payable – trade."

The Company entered into factoring contracts with NEC Platforms, Ltd. at a transaction amount of ¥22,303 million ($147,383 thousand) and the outstanding balance of ¥6,791 million ($44,876 thousand) at the year-end has been included in "Accounts receivable - Loans."

The Company entered into factoring contracts with NEC Facilities, Ltd. at a transaction amount of ¥12,665 million ($83,689 thousand) and the outstanding balance of ¥3,352 million ($22,149 thousand) at the year-end has been included in "Accounts receivable - Loans."

Year ended March 31, 2023

(1) Transactions with parent and major shareholder of the Company

The Company procured equipment for lease transactions from NEC Corporation that has a 37.7% ownership share in the Company at a transaction amount of ¥42,737 million for the year, and the outstanding balance of ¥4,813 million at the year-end has been included in "Notes and accounts payable – trade." The Company entered into factoring contracts with NEC Corporation at a transaction amount of ¥22,924 million and the outstanding balance of ¥7,613 million at the year-end has been included in "Accounts receivable – Loans."

(2) Transactions with subsidiaries of the Company's other affiliated companies

The Company procured equipment for lease transactions from NEC Fielding, Ltd. at a transaction amount of ¥20,511 million for the year, and the outstanding balance of ¥2,580 million at the year-end has been included in "Notes and accounts payable – trade."

The Company entered into factoring contracts with NEC Platforms, Ltd. at a transaction amount of ¥24,387 million and the outstanding balance of ¥7,816 million at the year-end has been included in "Accounts receivable - Loans."

21. Significant Subsequent Events

(Basic agreement on business collaboration, business collaboration, licensing agreement for use of mark, and changes to major shareholders and other affiliated companies)

At a meeting of the Board of Directors held on July 12, 2024, the Company resolved a basic agreement on the business collaboration between the Company, SBI Shinsei Bank, Limited (hereinafter, “SBI Shinsei Bank”) and Showa Leasing Co. Ltd. (hereinafter, “Showa Leasing”). The basic agreement is predicated on the assumption that SBI Shinsei Bank will acquire 4,314,112 shares of the Company’s common stock (20.04% (rounded down to the third decimal place, same as the following calculations of percentage of voting rights) , of the voting rights) from NEC Corporation (hereinafter, “NEC”), and 2,858,166 shares of the Company’s common stock (13.28% of the voting rights) from Sumitomo Mitsui Finance and Leasing Company, Limited (hereinafter, “SMFL”).At the same time, the Company announced that it had concluded a business collaboration agreement between the Company and NEC and renewed the licensing agreement for use of the “NEC” mark, etc.

In connection therewith, respective agreements were reached between NEC and SBI Shinsei Bank, and SMFL and SBI Shinsei Bank, to transfer a portion of the Company’s common shares held by NEC and SMFL to SBI Shinsei Bank (hereinafter, “the transfer of shares”). The transfer of shares is expected to result in changes to the Company’s major shareholders and other affiliated companies.

1.Basic agreement on business collaboration (the Company, SBI Shinsei Bank, and Showa Leasing)

(1) Reason for basic agreement on business collaboration

Since it was founded as the leasing company of the NEC Group, the Company has developed its strengths as a manufacturer-affiliated leasing company mainly through NEC sales channels, while working to increase corporate value by transforming itself from a manufacturer-affiliated leasing company to a financial services company by utilizing the financial functions of subsidiary RISA Partners, Inc. (hereinafter, “RISA Partners”) and its proprietary solutions development functions.

Currently, the Company is building a unique position within the domestic leasing industry not only through a robust business foundation made possible by a customer base consisting of public agencies, local governments, and major corporations, but also through the use of RISA Partners’ wide-ranging relationships with regional financial institutions, and the provision of a variety of services that leverage our ICT-related knowledge.

While continuing to play the same important role in the NEC Group as before, the Company has collaborated with third parties that are highly compatible and complementary in business terms in order to accelerate its growth strategy and been investigating the potential for partnerships to achieve further improvements in corporate value.

As a result of these initiatives, the Company made the decision to enter into a basic agreement on business collaboration with SBI Shinsei Bank and Showa Leasing.

The SBI Shinsei Bank Group, which includes Showa Leasing, is a hybrid comprehensive financial group that combines both bank and non-bank functions, and since joining the SBI Group in December 2021 it has actively engaged with the financial ecosystem and functions provided by the SBI Group to provide products, services, and functions that are genuinely desired by its customers. The customer base and financial functions possessed by the SBI Shinsei Bank Group include many elements that the Company has not possessed so far, and our perception is that there is extraordinary potential in a collaboration aimed at expanding our customer base and revenue opportunities. As we are currently at the stage of basic agreement on business collaboration, detailed investigations into specific collaborations are still in the future. Nevertheless, we would expect such initiatives to include creating new business opportunities in the leasing business; expanding the range and enhancing the level of sophistication of financial products, with an emphasis on structured finance, private equity, and venture investments; expanding the customer base; and implementing new initiatives to revitalize local communities and economies through cooperation with regional banks and their affiliated leasing companies.

We believe that utilizing the respective customer bases, know-how, infrastructure, and other resources of the Company, SBI Shinsei Bank, and Showa Leasing will lead to strengthening of the existing business. In addition, even after entering into this business collaboration with the objective of creating new business opportunities, the Company will continue to promote closer business relationships with the NEC Group as an essential partner and provider of financial services, enabling it to take an even more proactive approach to expanding its area of business and investing in growth.

(2) Details, etc. of the basic agreement on business collaboration

(i) Business collaboration

The Company, SBI Shinsei Bank, and Showa Leasing will utilize their customer bases, know-how, infrastructure, and other resources to strengthen their existing businesses in leasing, finance, and investments, as well as moving forward with specific discussions on the details and methods for the successful implementation of a business collaboration that aims to create new business opportunities and other positive outcomes. Moreover, there will be no change in the management philosophy or basic approach of the Company, which as a listed company will maintain independent management and autonomous operations, continuing both its existing business, including the foundation provided by NEC sales channels, and its business activities and investment in areas of future growth.

(ii) Acquisition by SBI Shinsei Bank of the common shares of the Company

Through the transfer of shares, SBI Shinsei Bank will acquire, in directly negotiated off-market transactions, 4,314,112 shares (representing 20.04% of voting rights) of the 8,110,000 shares (37.68% of voting rights) of the Company's common stock held by NEC, and 2,858,166 shares (13.28% of voting rights) of the 5,373,000 shares (24.96% of voting rights) of the Company's common stock held by SMFL. Even after the transfer of shares, NEC will hold 3,795,888 shares of the Company's common stock (17.63% of voting rights), and SMFL will hold 2,514,834 shares of the Company's common stock (11.68% of voting rights). As an important partner that provides financial services to the NEC Group, the Company will maintain close relationships with NEC.

(iii) Details, etc. of agreement relating to recommendation of candidates for Director and candidates for Company Auditor

As a consequence of the business collaboration, the Company and SBI Shinsei Bank have exchanged a memorandum of understanding to the effect that the two parties have agreed that SBI Shinsei Bank may recommend to the Company up to three candidates for Director and three candidates for Company Auditor. It has also been agreed that in the event that SBI Shinsei Bank does recommend candidates for Director or Company Auditor to the Company, the Company shall give serious consideration as to whether or not to table a proposal for the selection of Directors and Company Auditors of the Company to a general meeting of shareholders of the Company, and enter into sincere discussions on this matter with SBI Shinsei Bank. Furthermore, in order to preserve the Company's independence as a listed company, it has been agreed between the two companies that it shall not be mandatory for the Company to table a proposal for the selection of Directors and Company Auditors of the Company to a general meeting of shareholders of the Company by using candidate recommendations from SBI Shinsei Bank for those roles in accordance with this clause

(3) Overview of counterparty

(i) Overview of SBI Shinsei Bank (as of March 31, 2024)

(1) Name	SBI Shinsei Bank, Limited		
(2) Location	4-3 Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo		
(3) Representative Position/name	Representative Director, President Katsuya Kawashima		
(4) Nature of business	Banking		
(5) Share capital	512.2 billion yen		
(6) Date established	December 1, 1952		
(7) Major shareholders and percentage of shares held (as of March 31, 2024)	SBI Regional Bank Holdings Co., Ltd.: 64.81% S-Grant Co., Ltd.: 12.96% Deposit Insurance Corporation of Japan: 11.11% The Resolution and Collection Corporation: 11.11%		
(8) Relationship with the Company	Capital relationship	Not applicable	
	Personnel relationship	Not applicable	
	Business relationship	The business relationship with the Company consists of loan execution, transactions involving syndication of real estate non-recourse loans, etc.	
	Applicability to related parties	Not applicable	
(9) Operating results and financial position for the past three years (Consolidated) (unit: million yen)			
Fiscal year-end	FYE March 2022	FYE March 2023	FYE March 2024
Net assets	924,316	966,506	966,724
Total assets	10,311,448	13,694,831	16,048,988
Net assets per share (yen)	4,484.01	16,033,315,142.95	17,828,740,928.75
Net sales	217,500	240,200	267,900
Operating income	31,000	56,500	64,300
Ordinary income	28,299	52,136	61,072
Profit attributable to owner of parent	20,385	42,771	57,924
Net income per share (yen)	96.78	712,851,750.13	990,851,470.11
Dividend per share (yen)	12.00	12.00	40,000,000.00

Notes 1: Effective October 2, 2023, a consolidation of shares at a ratio of 20,000,000 shares to one share of common stock was implemented.
Effective March 15, 2024, a stock split of 6 shares per 1 share of common stock was also implemented. Net assets per share are calculated on the assumption that the consolidation of shares and stock split took place at the beginning of the previous fiscal year.

2. Total revenue for business management purposes is presented here instead of the net sales that would be used for an ordinary company.
3. Ordinary business profit after net credit costs for business management purposes is presented here instead of the ordinary income that would be used for an ordinary company.
4. Effective October 2, 2023, a consolidation of shares at a ratio of 20,000,000 shares to one share of common stock was implemented.
Effective March 15, 2024, a stock split of 6 shares per 1 share of common stock was also implemented. Net income per share is calculated on the assumption that the consolidation of shares and stock split took place at the beginning of the previous fiscal year.
5. Effective October 2, 2023, a consolidation of shares at a ratio of 20,000,000 shares to one share of common stock was implemented.
Effective March 15, 2024, a stock split of 6 shares per 1 share of common stock was also implemented.
The amount presented for dividend per share for the fiscal year ended March 31, 2024 (40,000,000.00 yen) takes into account the consolidation of shares and the stock split.

(ii) Overview of Showa Leasing (as of March 31, 2024)

(1) Name	Showa Leasing Co., Ltd.	
(2) Location	4-3 Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo	
(3) Representative Position/name	President & CEO Shoichi Hirano	
(4) Nature of business	General leasing operations Leasing, installment sales, and financing operations for information equipment, industrial equipment and machine tools, construction equipment, medical equipment, commercial facilities, aircraft, and others Operations related to the solicitation of life insurance	
(5) Share capital	29.36 billion yen	
(6) Date established	April 2, 1969	
(7) Major shareholders and percentage of shares held (as of March 31, 2024)	SBI Shinsei Bank, Limited 100%	
(8) Relationship with the Company	Capital relationship	Not applicable.
	Personnel relationship	Not applicable.
	Business relationship	The business relationship with the Company consists of sales of receivables and the execution of collaborative leases, etc.
	Applicability to related parties	Not applicable.

(9) Operating results and financial position for the past three years (Consolidated) (unit: million yen)

Fiscal year-end	FYE March 2022	FYE March 2023	FYE March 2024
Net assets	107,867	100,953	100,499
Total assets	644,830	647,702	696,355
Net assets per share (yen)	346.33	323.40	321.64
Net sales	102,773	103,738	118,026
Operating income	4,550	3,961	4,756
Ordinary income	4,752	4,436	5,398
Profit attributable to owner of parent	3,488	2,965	3,597
Net income per share (yen)	11.39	9.68	11.74
Dividend per share (yen)	32.70	16.40	—

(4) Schedule

(1) Date of Board of Directors resolution (basic agreement on business collaboration)	July 12, 2024
(2) Date of Board of Directors resolution (memorandum of understanding with SBI Shinsei Bank)	July 12, 2024
(3) Date of conclusion of basic agreement on business collaboration (the Company, SBI Shinsei Bank, and Showa Leasing)	July 12, 2024
(4) Date of conclusion of agreement on share transfer (NEC, SMFL, SBI Shinsei Bank)	July 12, 2024
(5) Date of execution of share transfer	Early October 2024 (scheduled)

(5) Outlook going forward

The impact on our performance for the current fiscal year of the basic agreement on business collaboration and the transfer of shares is currently being assessed. The specific details of the business collaboration will be discussed by all parties involved going forward, and if necessary we will promptly provide appropriate disclosure in relation to the impact on our performance for the current fiscal year.

2. Business collaboration (the Company, NEC)
(1) Reason for business collaboration
The Company and NEC have entered into a business collaboration with the aim of setting out matters of agreement to ensure that even after the transfer of shares, as an important partner continuously providing financial services to the NEC Group, the Company will leverage the strengths and uniqueness of the Company and NEC, and that the Company and NEC will continue to provide mutual support to each other as usual and promote more closer business relationships.

(2) Details of business collaboration
It has been confirmed that the transfer of shares will not have any impact on the business relationship between the Company and NEC, and it has been agreed that the change in the capital relationship between the two companies arising from the transfer of shares will not be used as the basis for rejecting transactions, changing the terms of transactions, or engaging in any other prejudicial treatment of the other party.
Even after the transfer of shares, the Company and NEC will continue their collaborative relationship in relation to the provision by the Company of leasing, rental, financial, and other incidental services associated with the provision by NEC of products, systems, and services, etc. to public agencies, local governments, corporations, and other third parties.
At the same time as the conclusion of the business collaboration agreement, the Company entered into a licensing agreement, effective on the same date as the business collaboration agreement, in relation to the use of "NEC" in the name of the Company and licensing for the use of the "NEC" mark that is a trademark and company logo of NEC. As consideration for the licensing, it has also been agreed that the Company will pay brand usage fees to NEC calculated by multiplying the net sales of the Company by a certain coefficient, but the terms in the collaboration agreement are unchanged from what they were in the previous arrangement. The major points of change from the content of "2. Business status 5. Material contracts on the business, etc." in the annual securities report in the 54th for the year ended March 31, 2024 are as follows.

Term of agreement
[Before change] This agreement shall update automatically every year after the period from November 30, 2008 to December 31, 2009

[After change] The term of validity for this agreement shall be July 12, 2024 to the end of March 2031. NEC and the Company shall begin discussions on arrangements to follow the end of the term of validity no later than 2 years before the expiration of said term.

(3) Overview of counterparty

(i) Overview of NEC (as of March 31, 2024)

(1) Name	NEC Corporation	
(2) Location	7-1 Shiba 5-chome, Minato-ku, Tokyo	
(3) Representative Position/name	President and CEO Takayuki Morita	
(4) Nature of business	IT service business and social infrastructure business	
(5) Share capital	427.831 billion yen	
(6) Date established	July 17, 1899	
(7) Major shareholders and percentage of shares held (as of March 31, 2024)	The Master Trust Bank of Japan, Ltd. (Trust account): 16.36% Custody Bank of Japan, Ltd.(Trust account): 7.17% Nippon Telegraph and Telephone Corporation: 4.88% JP MORGAN CHASE BANK 385632: 4.72% STATE STREET BANK WEST CLIENT - TREATY 505234: 2.12%, etc.	
(8) Relationship with the Company	Capital relationship	NEC holds 8,110,000 shares of the Company's common stock (37.68% of voting rights).
	Personnel relationship	Members of the Board of the Company Satoshi Okubo and Shigeki Fujita and Corporate Auditors of the Company Tatsuya Oyama and Shigetoshi Yokomizo are employees of NEC. As of March 31, 2024, 10 employees of NEC are seconded to the Company. In addition, four employees of the Company are seconded to NEC.
	Business relationship	The business relationship between the Company and NEC includes supply of properties for leasing and factoring transactions. NEC products and services account for approximately 60% of the value of contracts executed in the leasing business of the Company.
	Applicability to related parties	The Company is an affiliate accounted for using the equity method of NEC, and is categorized as a related party.

(9) Operating results and financial position for the past three years (Consolidated)

(IFRS; unit: million yen)

Fiscal year-end	FYE March 2022	FYE March 2023	FYE March 2024
Equity attributable to owners of the parent company	1,513,503	1,623,817	1,915,613
Total assets	3,761,733	3,984,050	4,227,514
Equity per share attributable to owners of the parent company (yen)	5,555.04	6,096.59	7,189.26
Revenue	3,014,095	3,313,018	3,477,262
Operating income	132,525	170,447	188,012
Pretax profit	144,436	167,671	185,011
Net income attributable to owners of the parent company	141,277	114,500	149,521
Net income per share (yen)	518.54	424.51	561.25
Dividend per share (yen)	100.00	110.00	120.00

(4) Schedule

(1) Date of Board of Directors resolution (licensing agreement for use of the "NEC" mark)	July 12, 2024
(2) Date of Board of Directors resolution (business collaboration)	July 12, 2024
(3) Date of conclusion of agreement on licensing agreement for use of the "NEC" mark	July 12, 2024
(4) Date of conclusion of agreement on business collaboration (the Company, NEC)	July 12, 2024

(5) Outlook going forward

The impact of this business collaboration on our performance for the current fiscal year would be immaterial. If necessary, we will promptly provide appropriate disclosure in relation to the impact on our performance for the current fiscal year.

(6) Matters relating to transactions, etc. with a controlling shareholder

NEC, which is a related party in the transfer of shares arising from the basic agreement on business collaboration and in the separate business collaboration with NEC itself, is not a controlling shareholder from the perspective of the Company, but it could be considered a "quasi-controlling shareholder." For this reason, in accordance with the "Roles Expected of Independent Directors in Listed Companies with Controlling/ Quasi-controlling Shareholder" document published by the Tokyo Stock Exchange, Inc. Listing Department on December 26, 2023, the Company has taken fair and appropriate measures from the perspective of protecting minority shareholders, and at a meeting of the Board of Directors held on July 12, 2024 an opinion was obtained from the independent Outside Directors of the Company to the effect that the basic agreement on business collaboration, the separate business collaboration with NEC, and the licensing agreement for use of the "NEC" mark do not run counter to the interests of minority shareholders of the Company (do contribute to improvements in corporate value).

Because Directors of the Company Satoshi Okubo and Shigeki Fujita serve concurrently as officers of NEC, they did not participate in discussions or the resolution by the Board of Directors of the Company conducted in relation to the above-mentioned sequence of transactions, due to the risk of them having a special interest in said transactions. Moreover, all seven Directors of the Company (including three Outside Directors) who participated in discussions and in the resolution at a meeting of the Board of Directors held on July 12, 2024 voted unanimously for the resolution on the business collaboration, etc.

The three Directors of the Company who have been designated independent directors to the Tokyo Stock Exchange (Takashi Nawa, Takako Hagiwara, and Asako Yamagami) were provided with explanations of the objectives and content of the above-mentioned series of transactions, and of the appropriateness and fairness of the decision-making procedures used by the Company. As a result of their investigations, they gave an opinion to the effect that the above-mentioned series of transactions do not run counter to the interests of minority shareholders, as follows.

・With regard to the business collaboration, there is little overlap in customer bases and business areas and a high degree of complementary functions between the Company, which operates its business primarily through NEC sales channels and through the links between RISA Partners and regional financial institutions, and the SBI Shinsei Bank Group, which is a hybrid comprehensive financial group that combines both banking and non-banking functions

・Because business synergies are expected to be generated through the leveraging of the resources and the business foundation of the SBI Shinsei Bank Group, such as an expansion in business opportunities in new areas in which the Company had hitherto not been engaged, this should contribute to further growth in the business of the Company and to increases in corporate value

・Even after the change in the main shareholder of the Company from NEC to SBI Shinsei Bank, there will be no change in the core business of the Company that is derived from NEC sales channels, and as has been the case to date, the maintenance of the cooperative relationship with NEC should contribute to increases in the corporate value of the Company, and the Company is expected to be able to use the "NEC" mark to appeal to customers and suppliers for a considerable length of time

・Directors of the Company Satoshi Okubo and Shigeki Fujita, who are employees of NEC, did not participate in discussions and the resolution of the Board of Directors in relation to the business collaboration, and the appropriateness and fairness of procedures has thus been recognized

3. Change to major shareholders and other affiliated companies

(1) Date of change: Early October 2024 (scheduled)

(2) Circumstances leading to the change

As described in "1. Basic agreement on business collaboration" and "2. Business collaboration" above, an agreement has been reached between NEC and SMFL, as main shareholders of the Company, and SBI Shinsei Bank, to the effect that NEC and SMFL shall respectively transfer to SBI Shinsei Bank, in directly negotiated off-market transactions, 4,314,112 shares and 2,858,166 shares of the Company's common stock that they hold.

This is expected to result in changes to the Company's major shareholders and other affiliated companies.

(3) Overview of changes in shareholders

(i) Overview of the company that will be the Company's principal shareholder

(1) Name	SBI Shinsei Bank, Limited

For the location and other details, please refer to "1.(3) ① Overview of SBI Shinsei Bank

(ii) Overview of the major shareholder that will no longer be the Company's principal shareholder or affiliated company of the Company

(1) Name	NEC Corporation

For the location and other details, please refer to "2. (3) ① Overview of NEC".

(iii) Overview of shareholders of the Company that will no longer be affiliated companies

(1) Name	Sumitomo Mitsui Finance and Leasing Company, Limited
(2) Location	3-2 Marunouchi 1-chome, Chiyoda-ku, Tokyo
(3) Representative Position/name	Chairman of the Board Shoichiro Oka President Masaki Tachibana
(4) Nature of business	Leasing and installment sales of various equipment and machinery Loans and factoring Other Services relating to above-mentioned businesses, etc.
(5) Share capital	15.0 billion yen

(4) Number of voting rights held by shareholder (number of shares held) and percentage of total shareholder voting rights (percentage of voting rights held) before and after change

(i) SBI Shinsei Bank

	Number of voting rights (Number of shares held)	Percentage of total shareholder voting rights*	Major shareholder ranking
Before change (as of March 31, 2024)	0 (0 shares)	00.0%	-
After change	71,722 (7,172,278 shares)	33.32%	No. 1

*18,171 shares deducted from the total number of shares issued due to those shares not having voting rights

Total number of shares outstanding as of March 31, 2024: 21,539,071 shares

(ii) NEC

	Number of voting rights (Number of shares held)	Percentage of total shareholder voting rights*	Major shareholder ranking
Before change (as of March 31, 2024)	81,100 (8,110,000 shares)	37.68%	No. 1
After change	37,958 (3,795,888 shares)	17.63%	No. 2

*18,171 shares deducted from the total number of shares issued due to those shares not having voting rights

Total number of shares outstanding as of March 31, 2024: 21,539,071 shares

(iii) SMFL

	Number of voting rights (Number of shares held)	Percentage of total shareholder voting rights*	Major shareholder ranking
Before change (as of March 31, 2024)	53,730 (5,373,000 shares)	24.96%	No. 2

After change	25,148 (2,514,834 shares)	11.68%	No. 3

*18,171 shares deducted from the total number of shares issued due to those shares not having voting rights
Total number of shares outstanding as of March 31, 2024: 21,539,071 shares

(5) Change, if any, in an unlisted parent company, etc. requiring disclosure
As a result of this change, SBI Shinsei Bank will fall into the category of unlisted parent company, etc. requiring disclosure.

(6) Outlook going forward
The impact on our performance for the current fiscal year of this change is currently being assessed. If necessary, we will promptly provide appropriate disclosure in relation to the impact on our performance for the current fiscal year. The impact on our performance for the current fiscal year of the business collaboration and the transfer of shares is as described in “1. (5) Outlook going forward.”

(The Company Split (Simplified Absorption-Type Company Split) with a Consolidated Subsidiary)

At a meeting of the Board of Directors held on July 31, 2024, the Company decided to transfer its real estate leasing business and its warehousing business in the healthcare sector, which are among the Company’s real estate-related businesses, and the power generation business and power generation investment business, which are among the Company’s renewable energy-related businesses (hereinafter, “the Businesses”), to NCS RE Capital Limited (hereinafter, “NCS RE”), the Company’s consolidated subsidiary, through an absorption-type split (hereinafter, the “Company Split”) with an effective date of October 1, 2024 (tentative). The Company also concluded an absorption-type split agreement with NCS RE on the same date, as described below.

A portion of the disclosure-related matters and content has been omitted because the Company Split is the Company’s simplified absorption-type split on the Company’s standalone basis.

1. Purpose of the Company Split

The Group aims to achieve its Group vision, established in fiscal 2023, to be a solution company leading the next-generation circular society and reinforce its earning potential by creating circular services reflecting the Group’s unique strengths and offering capital solutions.

In light of the basic agreement on a business collaboration signed between the Company, SBI Shinsei Bank and Showa Leasing, the Company decided to split off some of its businesses to more effectively pursue this collaboration between the three companies.

The Businesses will be split off with the aim of expanding our client base by utilizing the SBI Shinsei Bank Group’s network and creating business opportunities through collaboration on joint investments and loans with new customers and business partners both approached directly and arranged by the SBI Shinsei Bank Group in the core business areas that are expected to generate growth going forward.

The Group will work to further develop and expand capital solutions through NCS RE’s agile and flexible pursuit of business strategies.

2. Summary of the Company Split

(1) Schedule of the Company Split

Date of approval of absorption-type split agreement by the Board of Directors : July 31, 2024
Date of conclusion of absorption-type split agreement : July 31, 2024
Tentative date of the Company Split (effective date) : October 1, 2024 (tentative)

Note: As this Company Split is a simplified absorption-type split for which Article 784, Paragraph 2 of the Companies Act applies, approval by the Company’s general meeting of shareholders is not required.

(2) Method of the Company Split

This is a simplified absorption-type split with the Company as the splitting company and NCS RE as the succeeding company. NCS RE is the Company’s wholly owned subsidiary.

(3) Details of the allocation relating to the Company Split

The Company will receive 400 shares of NCS RE's common stock as consideration for the Company Split from NCS RE.

(4) Treatment regarding share options and bonds with share options following the Company Split

The treatment of share options that the Company has already issued will not change as a result of the Company Split. In addition, the Company has not issued bonds with share options.

(5) Increase or decrease in capital as a result of Company Split

There will not be any increase or decrease in the Company's capital as a result of the Company Split.

(6) Rights and obligations to be succeeded to by the succeeding company

NCS RE will assume from the Company those assets, debts, contracts, and other rights and obligations related to the Businesses as stipulated in the absorption-type split agreement.

(7) Prospect of fulfillment of obligations

We have determined that there will be no impediment to the fulfillment of obligations to be assumed by NCS RE on or after the effective date of the Company Split.

3. Outline of the Companies Involved in the Company Split

		Splitting company (as of March 31, 2024)	Succeeding company (as of July 26, 2024)
(1)	Company name	NEC Capital Solutions Limited	NCS RE Capital Limited
(2)	Address	15-3 Konan 2-chome, Minato-ku, Tokyo	15-3 Konan 2-chome, Minato-ku, Tokyo
(3)	Name and position of representative	Masaaki Suganuma, President	Takashi Arai, Representative Director
(4)	Nature of business	Leasing (Leasing for Information and Communication Equipment, Office Equipment, Industrial Equipment and others), Installment Sales, Business Loans, Factoring Services Other (Business Outsourcing and Sales of Used Equipment, etc.)	Real estate-related businesses and renewable energy-related businesses, among others
(5)	Share capital	3.783 billion yen	10 million yen
(6)	Date established	November 30, 1978	July 26, 2024
(7)	Number of shares issued	21,539,071	100
(8)	Closing of accounts	March	March
(9)	Major shareholders and percentage of shares held (as of March 31, 2024)	NEC Corporation 37.68% Sumitomo Mitsui Finance and Leasing Company, Limited 24.96%	NEC Capital Solutions Limited 100.00%

(10) Financial Condition and Business Results for the Fiscal Year Prior to the splitting company

(unit: million yen)

FY March 2024 (consolidated)	
Net assets	136,790
Total assets	1,117,363
Net assets per share (yen)	5,374.76
Revenues	255,857
Operating income	11,694
Ordinary income	11,818
Profit attributable to owners of parent	7,034
Net income per share (yen)	326.66

4. Outline of the businesses to be split off

(1) Description of the businesses to be split off

Real estate leasing business and warehousing business in the healthcare sector, which are among the Company's real estate-related businesses, and the power generation business and power generation investment business, which are among the Company's renewable energy-related businesses

(2) Business results for the businesses to be split off

Revenues 11,402 million yen (fiscal year ended on March 31, 2024)

(3) Items and amounts for assets and liabilities to be split off

(unit: million yen)

Assets		Liabilities	
Items	Book value	Items	Book value
Current assets	22,458	Current liabilities	1,286
Fixed assets	37,951	Long-term liabilities	54,928
Total	60,409	Total	56,214

Note: The actual amounts for the assets and liabilities assumed by the succeeding company will be finalized after making any additions or deductions to the figures above to reflect increases or decreases that occur before the Company Split's effective date.

(4) Outline of accounting treatment

It will be accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019).

5. Status after the Company Split

After the Company Split, there will be no change in the Company's name, head office location, position or name of the representative, businesses, capital, or fiscal terms.

6. Outlook going forward

The impact of the Company Split on our performance for the current fiscal year would be immaterial.

Independent auditor's report

To the Board of Directors of NEC Capital Solutions Limited:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NEC Capital Solutions Limited. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of 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.

Determination of the borrower categories for operating receivables related to the Leasing Business and the Finance Business

The key audit matter	How the matter was addressed in our audit
The Group reported accounts receivable-installment sales of ¥36,639 million, lease receivables and investment in leases of ¥489,455 million, accounts receivable-leases of ¥23,814	The primary procedures we performed to assess the appropriateness of the determination of the borrower categories for operating receivables

million, accounts receivable -loans of ¥230,268 million, purchased receivables of ¥9,141 million, receivables from companies in bankruptcy and reorganization of ¥5,154 million, and allowance for doubtful accounts for the balances of these receivables of ¥13,318 million in the consolidated balance sheet as of March 31, 2024. These were mainly related to the Leasing Business and the Finance Business of the Company. As described in Note 3 "Significant Accounting Estimates" to the consolidated financial statements, the Company determines borrower categories for its customers based on the degree of credit risks and categorizes the receivables into general receivables, doubtful receivables and receivables from companies in bankruptcy and reorganization based on the borrower categories. Allowance for doubtful accounts is recorded to provide for probable losses based on historical write-off ratio of bad debt losses for general receivables, and based on an estimate of the uncollectible amounts after reviewing the collectability of specific receivables by considering the financial position and business performance of the borrower, as well as the amount expected to be collected through credit protection measures for doubtful receivables and receivables from companies in bankruptcy and reorganization. Judgements on the borrower categories for the customers according to the degree of credit risks are determined based on a predetermined criteria for recognizing allowances for each borrower category, taking into consideration quantitative factors such as repayment status (including delinquency information) and financial indicators, as well as qualitative factors. In particular, judgment of the classification of the borrower categories based on qualitative factors such as abilities to repay debts based on future outlook of business performance and profitability of projects based on business plans involves judgment by management. We, therefore, determined that our assessment of the appropriateness of the determination of the borrower categories for operating receivables related to the Leasing Business and the Finance Business was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	related to the Leasing Business and the Finance Business of the Company included the following: **(1) Internal control testing** We tested the design and operating effectiveness of the Company's internal controls relevant to the process of recognizing allowance for doubtful accounts, with a particular focus on the following: ● whether the repayment status (including delinquency information), which was the basis for determining the borrower categories, was accurately identified; and ● whether the judgment of the borrower categories was appropriately determined by considering quantitative factors such as financial indicators and qualitative factors such as abilities to repay debts based on outlook of business performance and profitability of projects based on business plans. **(2) Assessment as to whether the borrower categories were appropriately determined** To assess whether the borrower categories were appropriately determined, we: ● assessed whether the criteria for recognizing allowances for each borrower category were in accordance with accounting principles generally accepted in Japan; and ● selected borrowers, determined by borrower categories that may have a significantly effect on profit or loss, such as large borrowers and borrowers with repayment status concerns, from among the borrowers of operating receivables related to the Leasing Business and the Finance Business of the Company based on certain criteria, and performed the following procedures: − inspection of records and documents related to determination of the borrower categories based on the results of the analysis of quantitative factors such as financial indicators performed by the Company; and − inspection of records and documents related to the judgement of the borrower categories based on qualitative factors such as abilities to repay debts based on outlook of business performance and profitability of projects based on business plans; and − inquiry of personnel in the departments responsible for credit.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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 our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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 corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 162 million yen and 20 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Koji Fukai

Designated Engagement Partner

Certified Public Accountant

Yoshimori Takahashi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

September 13, 2024

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Integrated Report 2024 (Financial Section)

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