

# Integrated Report 2025 (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
	2025	2024	2023	2022	2021	2025
<b>For the year:</b>						
Net sales	<b>¥254,880</b>	¥255,857	¥258,107	¥249,908	¥221,256	<b>\$1,704,538</b>
Profit before income taxes	<b>8,865</b>	11,825	12,444	11,423	6,089	<b>59,284</b>
Profit attributable to owners of parent	<b>6,612</b>	7,034	6,419	6,940	4,119	<b>44,217</b>
<b>At year-end:</b>						
Total assets	<b>¥1,224,798</b>	¥1,117,363	¥1,055,876	¥1,030,617	¥1,057,654	<b>\$8,190,985</b>
Total net assets	<b>142,386</b>	136,790	128,815	121,740	113,885	<b>952,219</b>
			Yen			U.S. Dollars
<b>Per share data:</b>						
Net assets	<b>¥5,617.59</b>	¥5,374.76	¥5,085.69	¥4,794.13	¥4,438.33	<b>\$37.57</b>
Basic net income	<b>306.98</b>	326.66	298.14	322.37	191.29	<b>2.05</b>
Cash dividends	<b>150.00</b>	130.00	110.00	74.00	60.00	<b>1.00</b>
<b>Key indicators:</b>						
Dividend payout ratio (%)	<b>48.9</b>	39.8	36.9	23.0	31.4	-
Equity ratio (%)	<b>9.9</b>	10.4	10.4	10.0	9.0	-
Price earnings ratio (Times)	<b>12.3</b>	11.7	8.5	6.4	10.6	-
Return on equity (%)	<b>5.6</b>	6.2	6.0	7.0	4.4	-
Return on assets (%)	<b>0.8</b>	1.1	1.2	1.1	0.6	-
Number of employees	<b>860</b>	880	866	812	811	-

1. The U.S. dollar amounts represent conversions of Japanese yen, for convenience only, at the rate of ¥149.53=U.S. \$1.00 in effect on March 31, 2025.

## Operating and Financial Review

### 1. Business Results

During the fiscal year ended March 31, 2025, the Japanese economy showed signs of moving away from deflation and returning to an inflationary economy. This trend is evidenced by the lifting of the negative interest rate policy in March 2024 and subsequent decisions to raise interest rates twice, against a backdrop of the highest increases in the published land prices and spring wage hikes since the bubble economy era. In July, the benchmark Nikkei Stock Average reached a record high, reflecting a substantial improvement in business sentiment fueled by recovering consumer spending and growing inbound tourism demand. However, as indicated by the stock market plunge in August and the subsequent sideways market, the Japanese economy has yet to fully escape deflation partly due to the weak yen, domestic labor shortages, and a slowdown in overseas economies. Japanese stocks entered a bear market following the interest rate hike in January 2025. Additionally, uncertainty has intensified regarding the outlook of domestic and international political situations and economic policies, as the Japanese ruling coalition lost its majority in the House of Representatives election in October, and former President Trump won the U.S. presidential election in November. Taking into account the changes in domestic and international circumstances, continued close attention to the outlook for economic activity is considered necessary.

In 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, 2025, has been reached ¥5,084.7 billion, which represents an increase by 9.8% compared with the previous fiscal year (based on Lease Statistics published on May 29, 2025, by the Japan Leasing Association).

Under these circumstances, the contract execution volume increased by 23.3%, and contract volume decreased by 2.2%, respectively compared with previous fiscal year in the Leasing Business of NEC Capital Solutions Limited (hereafter, the “Company”). The increase in contract execution volume was driven by steady recognition of projects mainly in the public sector. The slight decline in contract volume was due to a large-scale public-sector project was recorded in the previous fiscal year; excluding this impact, contract volume actually increased year-on-year.

In the Finance Business, both contract execution volume and contract volume remained essentially flat compared with the previous fiscal year, as growth in factoring offset a decline in business loans.

In the Investment Business, revenue increased year-on-year due to the sale of real estate and higher finance revenue. However, operating income declined year-on-year, reflecting the absence of a reversal of credit costs recorded in the previous fiscal year.

In the Other Business, revenue from solar power generation and fee income remained strong. However, overall revenue declined year-on-year, reflecting the absence of revenue from the sale of healthcare-related facilities recorded in the previous fiscal year. Operating income also decreased due to an increase in selling, general and administrative expenses.

As for the overall operating results, revenue decreased year-on-year, mainly in the Finance Business, which had recorded large-scale asset sales in the previous fiscal year, although the revenue increased in the Leasing Business. Gross profit declined year-on-year due to the deferral of recognition of a large-scale asset sale from the fourth quarter to the next fiscal year, as well as a temporary rise in funding costs resulting from a change in major shareholders. Operating income also declined year-on-year mainly due to the increase in system-related costs. Ordinary income and profit attributable to owners of parent also decreased year-on-year.

As a result of the Group’s initiative, total revenues decreased by 0.4% to ¥254,879 million (\$1,704,534 thousand) on a consolidated basis for the year under review. Operating income decreased by 33.5% to ¥7,782 million (\$52,043 thousand), ordinary income decreased by 20.1% to ¥9,437 million (\$63,111 thousand) and profit attributable to owners of parent decreased by 6.0% to ¥6,611 million (\$44,212 thousand).

Operating results by segment are as follows:

a. Leasing Business

Although total revenue in this segment increased by 0.3% from the previous fiscal year to ¥229,195 million (\$1,532,769 thousand), operating income decreased by ¥1,097 million (\$7,336 thousand) from the previous fiscal year to ¥4,366 million (\$29,198 thousand) mainly due in part to a temporary increase in funding costs resulting from a change in major shareholders and an increase in selling, general and administrative expenses as well as the absence of the sale of a large-scale leased asset recorded in the previous fiscal year.

b. Finance Business

Total revenue in this segment decreased by 16.5% from the previous fiscal year to ¥7,603 million (\$50,846 thousand) mainly due in part to a decrease in dividend income, and operating income also decreased by ¥436 million (\$2,916 thousand) from the previous fiscal year to ¥2,884 million (\$19,287 thousand), with a temporary increase in funding costs resulting from a change in major shareholders, partially offset a decrease in provision of allowance for doubtful accounts.

c. Investment Business

Total revenue in this segment increased by 0.8% from the previous fiscal year to ¥13,818 million (\$92,410 thousand) mainly due in part to increases in revenue from sale of real estate for sale, rent revenue from real estate for rent and interest income on loans receivable offsetting the absence of revenue from the sale of large-scale operational investment securities recorded in the previous fiscal year, while operating income decreased by ¥1,879 million (\$12,566 thousand) from the previous fiscal year to ¥2,194 million (\$14,673 thousand) mainly due to an increase in provision of allowance for doubtful accounts.

d. Other Business

Total revenue in this segment decreased by 6.7% from the previous fiscal year to ¥4,378 million (\$29,278 thousand) mainly due in part to the absence of the sale of real estate for sale recorded in the previous fiscal year, despite increases in rent revenue from real estate and revenue from sales of solar power electricity, and operating income also decreased by ¥103 million (\$689 thousand) from the previous fiscal year to ¥523 million (\$3,498 thousand) mainly due to increases in selling, general and administrative expenses.

## 2. Forecasts for Fiscal Year Ending March 31, 2026

The Japanese economy during the fiscal year ending March 31, 2026, faces the potential for heightened volatility, depending on the extent to which the U.S. high-tariff policies implemented by the Trump administration impact the global free trade. Should reciprocal tariffs be introduced globally, a decline in trade activity and disruptions to supply chains are expected. Rising import costs are expected to cause inflation, which in turn will increase the burden on consumers, potentially exerting a negative impact on the domestic economy. Efforts to normalize monetary policy aimed at ending deflation could also stall, and various uncertainties may hinder growth scenarios in a positive interest rate environment.

Under these circumstances, the Group is steadfastly convinced of the importance of sustainability, which has been discussed as a global issue. As stated in our annual securities report, 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, the Company forecasts net sales of ¥295.0 billion, an increase of 15.7% compared with the fiscal year under review, operating income of ¥15.5 billion, an increase of 99.2%, ordinary

income of ¥16.0 billion, an increase of 69.5%, and profit attributable to owners of parent of ¥10.0 billion, an increase of 51.2% on a consolidated basis in the fiscal year ending March 31, 2026, resulting from sustained growth of the Leasing Business and the Finance Business, an increase in revenue of the Investment Business, and business synergies with SBI Shinsei Bank Group.

The forecast for annual dividends will be ¥150 per share (including interim dividend of ¥75 per share), the same as the current fiscal year, in line with our basic dividend policy of maintaining stable dividends while accumulating internal reserves to prepare for instability in the business environment both in Japan and overseas.

Meanwhile, unless otherwise specified, information concerning the future presented herein is forecasts based on our decisions, targets, certain premises, or assumptions as of the last day (March 31, 2025) 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 ¥107,434 million (\$718,478 thousand) year-on-year to ¥1,224,797 million (\$8,190,978 thousand). This increase mainly reflected increases of ¥56,453 million (\$377,536 thousand) in cash and deposits, ¥22,635 million (\$151,374 thousand) in lease receivables and investment in leases, ¥17,035 million (\$113,924 thousand) in real estate for sale, and ¥14,790 million (\$98,910 thousand) in leased assets under property and equipment.

Liabilities at the end of this fiscal year under review increased by ¥101,839 million (\$681,061 thousand) year-on-year to ¥1,082,412 million (\$7,238,761 thousand). This increase mainly reflected increases of ¥50,853 million (\$340,086 thousand) in long-term debt (including current portion of long-term debt) and ¥48,154 million (\$322,036 thousand) in short-term debt.

Net assets at the end of this fiscal year under review increased by ¥5,595 million (\$37,417 thousand) year-on-year to ¥142,385 million (\$952,217 thousand). This increase mainly reflected increases of ¥3,596 million (\$24,049 thousand) in retained earnings due to the recording of profit attributable to owners of parent, etc. and ¥1,765 million (\$11,804 thousand) in deferred gains or losses on hedges.

### 4. Cash Flow Status

Cash and cash equivalents at the end of this fiscal year under review were ¥110,097 million (\$736,287 thousand).

The following is a description of cash flows and significant factors.

#### (Cash Flows from Operating Activities)

Net cash used in operating activities was ¥34,005 million (\$227,413 thousand), compared with net cash used in operating activities of ¥21,344 million (\$142,741 thousand) for the previous fiscal year. This was primarily attributable to the expenditures for the purchases of leased assets of ¥37,745 million (\$252,424 thousand) and an increase in lease receivables and investment in leases of ¥22,635 million (\$151,374 thousand), offsetting the recognition of depreciation of ¥30,253 million (\$202,321 thousand).

#### (Cash Flows from Investing Activities)

Net cash used in investing activities was ¥15,010 million (\$100,381 thousand), compared with net cash used in investing activities of ¥8,313 million (\$55,594 thousand) for the previous fiscal year. This was primarily attributable to the expenditures for the purchase of investment securities of ¥30,987 million (\$207,229 thousand) and purchase of own-used assets of ¥3,216 million (\$21,507 thousand), offsetting proceeds from redemption of investment securities of ¥19,205 million (\$128,436 thousand).

#### (Cash Flows from Financing Activities)

Net cash provided by financing activities was ¥105,641 million (\$706,487 thousand), compared with net cash

provided by financing activities of ¥49,343 million (\$329,987 thousand) for the previous fiscal year. This was primarily attributable to proceeds from long-term debt of ¥229,750 million (\$1,536,481 thousand) and a net increase in short-term debt of ¥51,299 million (\$343,068 thousand), offsetting repayment of long-term debt of ¥178,645 million (\$1,194,710 thousand).

## Consolidated Balance Sheets

NEC Capital Solutions Limited  
March 31, 2025 and 2024

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
<b>Current assets:</b>			
Cash and cash equivalents (Notes 15, 16)	¥110,098	¥53,723	\$736,291
Time deposits	200	184	1,341
Lease receivables and investment in leases (Notes 14, 15, 16)	512,090	489,455	3,424,667
Installment receivables (Note 16)	31,602	36,639	211,343
Accounts receivable - operating loans (Notes 9, 16)	220,538	230,268	1,474,872
Accounts receivable - lease (Note 16)	25,560	23,814	170,937
Purchased receivables (Note 16)	10,710	9,141	71,623
Operational investment securities (Notes 7, 15, 16)	26,557	25,852	177,600
Real estate for sale (Note 15)	51,005	33,969	341,103
Real estate for sale in process	4,211	3,286	28,162
Securities (Note 16)	547	—	3,656
Other (Note 16)	17,421	31,641	116,503
Allowance for doubtful accounts	(8,235)	(8,384)	(55,073)
<b>Total current assets</b>	<b>1,002,304</b>	<b>929,588</b>	<b>6,703,025</b>
<b>Property and equipment, net:</b>			
Assets for lease (Note 6)	99,461	84,671	665,161
Other operating assets (Note 6)	10,647	7,969	71,203
Total own-used assets (Notes 6, 15)	434	313	2,901
<b>Total property, plant and equipment</b>	<b>110,542</b>	<b>92,953</b>	<b>739,265</b>
<b>Intangible assets:</b>			
Assets for lease	769	1,085	5,142
Goodwill	1,304	1,521	8,722
Software and other	10,894	8,543	72,852
<b>Total intangible assets</b>	<b>12,967</b>	<b>11,149</b>	<b>86,716</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 7, 15, 16)	85,090	71,114	569,050
Retirement benefit asset (Note 13)	374	450	2,505
Deferred tax assets (Notes 10)	5,617	6,924	37,567
Other (Note 16)	12,395	10,120	82,893
Allowance for doubtful accounts	(4,491)	(4,935)	(30,036)
<b>Total investments and other assets</b>	<b>98,985</b>	<b>83,673</b>	<b>661,979</b>
<b>Total assets</b>	<b>¥1,224,798</b>	<b>¥1,117,363</b>	<b>\$8,190,985</b>

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Notes 8, 9, 16)	¥354,521	¥312,367	\$2,370,900
Current portion of long-term debt (Notes 8, 15, 16)	171,788	125,629	1,148,854
Notes and accounts payable – trade (Notes 16)	13,280	12,089	88,814
Income taxes payable (Note 16)	1,443	1,047	9,652
Deposits received (Note 16)	3,538	2,441	23,663
Provision for bonuses	927	934	6,199
Provision for bonuses for directors (and other officers)	45	15	301
Other (Note 17)	26,209	31,579	175,273
<b>Total current liabilities</b>	<b>571,751</b>	<b>486,101</b>	<b>3,823,656</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 8, 15, 16)	498,008	480,948	3,330,491
Retirement benefit liability (Note 13)	1,886	1,915	12,610
Other	10,767	11,609	72,009
<b>Total long-term liabilities</b>	<b>510,661</b>	<b>494,472</b>	<b>3,415,110</b>
<b>Total liabilities</b>	<b>1,082,412</b>	<b>980,573</b>	<b>7,238,766</b>
<b>Net assets:</b>			
<b>Shareholders' equity</b>			
Share capital	3,794	3,783	25,373
Authorized:86,000,000 shares			
Issued:21,544,538 shares			
Capital surplus (Note 20)	4,666	4,655	31,202
Retained earnings (Note 20)	104,788	101,192	700,784
Treasury shares	(10)	(10)	(68)
4,596 shares in 2025 and 4,502 shares in 2024			
<b>Total shareholders' equity</b>	<b>113,238</b>	<b>109,620</b>	<b>757,291</b>
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	1,685	1,601	11,270
Deferred gains or losses on hedges	2,179	414	14,574
Foreign currency translation adjustments	3,982	4,045	26,625
Remeasurements of defined benefit plans	(81)	63	(541)
<b>Total accumulated other comprehensive income</b>	<b>7,765</b>	<b>6,123</b>	<b>51,928</b>
<b>Non-controlling interests</b>	<b>21,383</b>	<b>21,047</b>	<b>143,000</b>
<b>Total net assets</b>	<b>142,386</b>	<b>136,790</b>	<b>952,219</b>
<b>Total liabilities and net assets</b>	<b>¥1,224,798</b>	<b>¥1,117,363</b>	<b>\$8,190,985</b>

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, 2025 and 2024

### Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
<b>Net sales:</b>			
Leases	¥218,237	¥215,504	\$1,459,487
Installment sales	933	740	6,243
Loans	7,561	9,110	50,562
Other	28,149	30,503	188,246
<b>Total net sales</b>	<b>254,880</b>	<b>255,857</b>	<b>1,704,538</b>
<b>Cost of sales:</b>			
Leases	198,635	198,306	1,328,394
Interest expense	10,030	7,436	67,076
Other	16,554	17,526	110,707
<b>Total cost of sales</b>	<b>225,219</b>	<b>223,268</b>	<b>1,506,177</b>
<b>Gross profit</b>	<b>29,661</b>	<b>32,589</b>	<b>198,361</b>
<b>Selling, general, and administrative expenses</b>	<b>21,879</b>	<b>20,894</b>	<b>146,316</b>
<b>Operating income</b>	<b>7,782</b>	<b>11,695</b>	<b>52,045</b>
<b>Other income (expenses):</b>			
Interest and dividend income	93	127	621
Interest expense	(281)	(490)	(1,882)
Share of profit of entities accounted for using equity method	687	54	4,594
Gain on investment in partnerships	1,155	470	7,721
Gain on sales of investment securities	—	436	—
Foreign exchange losses	(160)	(401)	(1,073)
Loss on disposal of property and equipment	(2)	(2)	(11)
Loss on investment in partnerships	(65)	(160)	(434)
Gain on sales of shares of subsidiaries	6	—	43
Gain on sale of shares of subsidiaries and associates	17	10	112
Loss on debt forgiveness to subsidiaries and affiliates	—	(56)	—
Loss on sale of securities	—	(1)	—
Loss on transfer of bonds of subsidiaries and affiliates	(51)	—	(343)
Loss on liquidation of subsidiaries and associates	(478)	—	(3,195)
Loss on sale of shares of subsidiaries and associates	(67)	(28)	(446)
Loss on valuation of investment securities	(6)	(74)	(42)
Other, net	235	245	1,574
<b>Profit before income taxes</b>	<b>8,865</b>	<b>11,825</b>	<b>59,284</b>
<b>Income taxes (Note 10):</b>			
Income taxes - current	2,137	2,102	14,288
Income taxes - deferred	557	1,818	3,727
	<b>2,694</b>	<b>3,920</b>	<b>18,015</b>
<b>Profit</b>	<b>6,171</b>	<b>7,905</b>	<b>41,269</b>
Profit (loss) attributable to non-controlling interests	(441)	871	(2,948)
Profit attributable to owners of parent	<b>¥6,612</b>	<b>¥7,034</b>	<b>\$44,217</b>

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)
	2025	2024	2025
<b>Profit</b>	<b>¥6,171</b>	<b>¥7,905</b>	<b>\$41,269</b>
<b>Other comprehensive income (loss):</b>			
Valuation difference on available-for-sale securities	(68)	(86)	(452)
Deferred gains or losses on hedges	1,672	186	11,182
Foreign currency translation adjustments	812	1,216	5,427
Remeasurements of defined benefit plans, net of tax	(144)	100	(962)
Share of other comprehensive income of entities accounted for using equity method	(630)	761	(4,210)
<b>Total other comprehensive income (loss)</b>	<b>¥1,642</b>	<b>¥2,177</b>	<b>\$10,985</b>
<b>Comprehensive income</b>	<b>¥7,813</b>	<b>¥10,082</b>	<b>\$52,254</b>
Comprehensive income attributable to:			
Owners of parent	8,254	9,211	55,202
Non-controlling interests	(441)	871	(2,948)

	Yen		U.S. Dollars (Note 1)
	2025	2024	2025
<b>Amounts per share:</b>			
Basic net income	¥306.98	¥326.66	\$2.05
Cash dividends applicable to the year	150.00	130.00	1.00

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, 2025 and 2024

	Millions of Yen										
	Shareholders' Equity					Accumulated other comprehensive income					
	Number of shares issued (Thousands of shares)	Share capital	Capital surplus	Retained earnings	Treasury shares	Net unrealized gain (losses) on marketable securities	Deferred gain (losses) on hedging derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2023	21,533	3,777	4,646	97,132	(9)	1,627	91	2,263	(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					(0)						(0)
Transfer-restricted stock-based compensation		6	9								15
Other, net	6			(2)		(27)	323	1,782	100	1,722	3,898
Balance at March 31, 2024	21,539	¥3,783	¥4,655	¥101,192	¥(9)	¥1,600	¥414	¥4,045	¥63	¥21,047	¥136,790
Profit attributable to owners of parent				6,612							6,612
Cash dividends				(3,016)							(3,016)
Purchase of treasury stock					(1)						(1)
Transfer-restricted stock-based compensation		11	11								22
Other, net	6					85	1,765	(63)	(144)	336	1,979
Balance at March 31, 2025	21,545	¥3,794	¥4,666	¥104,788	¥(10)	¥1,685	¥2,179	¥3,982	¥(81)	¥21,383	¥142,386

	Thousands of U.S. Dollars (Note 1)										
	Shareholders' Equity					Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net unrealized gain (losses) on marketable securities	Deferred gain (losses) on hedging derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets	
Balance at March 31, 2024	\$25,302	\$31,131	\$676,735	\$(65)	\$10,705	\$2,767	\$27,050	\$421	\$140,755	\$914,801	
Profit attributable to owners of parent			44,217							44,217	
Cash dividends			(20,168)							(20,168)	
Purchase of treasury stock				(3)						(3)	
Transfer-restricted stock-based compensation	71	71								142	
Other, net					565	11,807	(425)	(962)	2,245	13,230	
Balance at March 31, 2025	\$25,373	\$31,202	\$700,784	\$(68)	\$11,270	\$14,574	\$26,625	\$(541)	\$143,000	\$952,219	

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Cash Flows

NEC Capital Solutions Limited  
Years ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥8,865	¥11,824	\$59,284
Depreciation	30,254	27,207	202,327
Amortization of goodwill	206	197	1,379
Increase (decrease) in allowance for doubtful accounts	(592)	1,468	(3,962)
Increase (decrease) in provision for bonuses	(7)	86	(45)
Increase (decrease) in provision for bonuses for directors (and other officers)	30	(18)	202
Increase (decrease) in net defined benefit asset and liability	(69)	(138)	(463)
Interest and dividend income	(93)	(127)	(622)
Capital costs and interest expenses	10,388	7,892	69,475
Share of loss (profit) of entities accounted for using equity method	(687)	(54)	(4,594)
Foreign exchange losses (gains)	(19)	8,146	(129)
Loss (gain) on sale of investment securities	—	(836)	—
Loss (gain) on sales of shares of subsidiaries and associates	44	18	292
Loss on liquidation of subsidiaries and associates	478	—	3,195
Reversal of provision incurred from foreign currency translation adjustment	—	(107)	—
Decrease (increase) in installment receivables	5,037	2,189	33,687
Net decrease (increase) in lease receivables and investments in leases	(22,635)	30,092	(151,375)
Decrease (increase) in accounts receivable - operating loans	9,730	2,601	65,072
Decrease (increase) in trade receivables	(1,746)	(1,779)	(11,678)
Decrease (increase) in purchased receivable-trade	(1,569)	3,279	(10,494)
Decrease (increase) in operational investment securities	(704)	(3,190)	(4,711)
Decrease (increase) in real estate for sale	(17,629)	(10,583)	(117,898)
Decrease (increase) in real estate for sale in process	(925)	(3,286)	(6,188)
Purchase of assets for lease	(37,746)	(46,067)	(252,427)
Proceeds from sale of assets for lease	3,289	6,043	21,998
Increase in other operating assets by purchase	(4,623)	(1,342)	(30,914)
Increase (decrease) in trade payables	2,221	(5,521)	14,855
Increase (decrease) in advances received-lease	(6,343)	(3,271)	(42,420)
Decrease (increase) in advances for purchases at property for lease	21,071	(20,564)	140,918
Other, net	(18,005)	(17,667)	(120,412)
Subtotal	(21,779)	(13,507)	(145,648)
Interest and dividends received	149	444	994
Interest paid	(10,632)	(7,426)	(71,103)
Income taxes paid	(1,744)	(856)	(11,662)
Net cash provided by (used in) operating activities	(34,006)	(21,345)	(227,419)
<b>Cash flows from investing activities:</b>			
Purchase of own-used assets	(3,217)	(3,015)	(21,511)
Purchases of investment securities	(30,987)	(21,351)	(207,232)
Proceeds from sales of investment securities	82	3,152	548
Proceeds from redemption of investment securities	19,206	13,089	128,441
Proceeds from liquidation of affiliates	—	356	—
Other, net	(95)	(544)	(633)
Net cash provided by (used in) investing activities	(15,011)	(8,313)	(100,387)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	51,299	7,940	343,071
Net increase (decrease) in commercial papers	(6,000)	29,000	(40,126)
Proceeds from long-term borrowings	229,751	167,162	1,536,485
Repayments of long-term borrowings	(178,646)	(151,479)	(1,194,715)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Repayments of payables under securitization of lease receivables	(484)	(1,287)	(3,236)
Proceeds from issuance of bonds	28,000	20,600	187,253
Redemption of bonds	(15,150)	(20,000)	(101,317)
Dividends paid	(3,218)	(3,060)	(21,520)
Dividends paid to non-controlling interests	(690)	(2,646)	(4,615)
Proceeds from share issuance to non-controlling shareholders	757	3,106	5,060
Other, net	23	7	153
Net cash provided by (used in) financing activities	105,642	49,343	706,493
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(250)</b>	<b>(1,458)</b>	<b>(1,675)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>56,375</b>	<b>18,227</b>	<b>377,012</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>53,723</b>	<b>35,558</b>	<b>359,279</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	<b>—</b>	<b>(62)</b>	<b>—</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥110,098</b>	<b>¥53,723</b>	<b>\$736,291</b>

The accompanying notes are an integral part of these statements.

## Notes to Consolidated Financial Statements

NEC Capital Solutions Limited  
Year ended March 31, 2025

### 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 ¥149.53 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2025. 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 66 consolidated subsidiaries for the fiscal year ended March 31, 2025, such as Reboot Technology Services and Capitech Limited, RISA Partners, Inc. (59 consolidated subsidiaries for the fiscal year ended March 31, 2024).

Eight companies are newly included in consolidated subsidiaries since their establishment or acquisition in the fiscal year ended March 31, 2025.

One company 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 due to share transfer.

Three 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.

Four companies have been accounted for by the equity method due to acquisition in the fiscal year ended March 31, 2025.

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 40 consolidated subsidiaries are different from the Group’s fiscal year-end, and are December 31. Two 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.

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 2 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.

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) Provision for bonuses**

Provision 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) Provision for bonuses for directors (and other officers)**

Provision for bonuses for directors (and other officers) 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, 2025

¥12,726 million (\$85,109 thousand)

Previous consolidated fiscal year ¥13,318 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 provided based on the historical loan loss ratio for general receivables. Of doubtful receivables, allowance for doubtful accounts is provided using cash flow estimation method for receivables from large debtors with the receivables above a certain amount, if it is possible to reasonably estimate the future cash flow associated with the collection of the principal and receipt of interest. For doubtful receivables other than above and receivables from companies in bankruptcy and reorganization, provisions for estimated uncollectible amount are recorded based on collectability of each receivable by considering the debtor's financial position and business performance in addition to the estimated recovery amount through preservation.

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, 2025, 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

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, "Revised Accounting Standard 2022"), etc. since the beginning of the fiscal year ended March 31, 2025.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). This change in accounting policies had no impact on the consolidated financial statements.

## 5. Unapplied accounting standards

- “Accounting Standard for Leases” (ASBJ Statement No.34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No.33, September 13, 2024)

Other guidance, including Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance, which were revised by the issuance of the Accounting Standard for Leases.

### (1) Overview

These standards and guidance stipulate treatment to recognize assets and liabilities for all leases held by a lessee, in consistent with international accounting standards.

### (2) Effective date

The Company will apply above standards and guidance from the beginning of the fiscal year ending March 31, 2028.

### (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.

- “Practical Guidelines on Accounting for Financial Instruments” (ASBJ Transferred Guidance No.9, March 11, 2025)

### (1) Overview

The revised practical guidelines stipulate the treatment of investments made by companies in partnerships and other entities.

### (2) Effective date

The Company will apply above standards and guidance from the beginning of the fiscal year ending March 31, 2027.

### (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, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Leased assets	<b>¥71,727</b>	¥62,845	<b>\$479,686</b>
Other operating assets	<b>3,583</b>	2,915	<b>23,964</b>
Assets held for own use	<b>1,231</b>	1,154	<b>8,231</b>

**7. Investment Securities**

Investment securities at March 31, 2025 and 2024 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Current:			
Marketable available-for-sale securities	<b>¥664</b>	¥201	<b>\$4,443</b>
Non-marketable available-for-sale securities	<b>26,438</b>	25,651	<b>176,813</b>
Total	<b>¥27,102</b>	¥25,852	<b>\$181,256</b>
Non-current:			
Marketable available-for-sale securities	<b>¥9,621</b>	¥6,741	<b>\$64,345</b>
Non-marketable available-for-sale securities	<b>53,756</b>	45,074	<b>359,496</b>
Non-consolidated subsidiaries and affiliated companies	<b>21,713</b>	19,298	<b>145,209</b>
Total	<b>¥85,090</b>	¥71,113	<b>\$569,050</b>

The aggregate acquisition cost and fair value of available-for-sale securities with readily determinable market value at March 31, 2025 and 2024 were as follows:

March 31, 2025				
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
Millions of Yen				
<b>Available-for-sale securities:</b>				
Current				
Equity securities	¥102	¥—	¥15	¥87
Debt securities	577	—	—	577
Non-current				
Equity securities	497	307	122	682
Debt securities	3,657	3	4	3,656
Other (trust beneficiary rights, etc.)	5,059	224	—	5,283
<b>Total</b>	<b>¥9,892</b>	<b>¥534</b>	<b>¥141</b>	<b>¥10,285</b>

March 31, 2024				
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
Millions of Yen				
<b>Available-for-sale securities:</b>				
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
<b>Total</b>	<b>¥6,384</b>	<b>¥746</b>	<b>¥188</b>	<b>¥6,942</b>

March 31, 2025				
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
Thousands of U.S. Dollars				
<b>Available-for-sale securities:</b>				
Current				
Equity securities	\$684	\$—	\$99	\$585
Debt securities	3,858	—	—	3,858
Non-current				
Equity securities	3,327	2,051	814	4,564
Debt securities	24,457	18	26	24,449
Other (trust beneficiary rights, etc.)	33,832	1,500	—	35,332
<b>Total</b>	<b>\$66,158</b>	<b>\$3,569</b>	<b>\$939</b>	<b>\$68,788</b>

Non-marketable available-for-sale securities whose fair value were not readily determinable at March 31, 2025 and 2024 were as follows:

	Carrying value		
	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
<b>Non-marketable available-for-sale securities:</b>			
Equity securities	¥29,567	¥29,071	\$197,731
Debt securities	10	—	67
Other (investment in partnerships, etc.)	50,617	41,654	338,511
<b>Total</b>	<b>¥80,194</b>	<b>¥70,725</b>	<b>\$536,309</b>

Available-for-sale securities sold during the fiscal year ended March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
	<b>Equity securities:</b>		
Sales prices	¥202	¥1,134	\$1,348
Total gains on sales	89	751	592
Total losses on sales	—	—	—
<b>Debt securities:</b>			
Sales prices	3	—	19
Total gains on sales	—	—	—
Total losses on sales	51	—	339
<b>Other (trust beneficiary rights, etc.)</b>			
Sales prices	—	1,695	—
Total gains on sales	—	157	—
Total losses on sales	—	—	—

### 8. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of	Weighted-average
	2025	2024	U.S. Dollars	interest rate
			2025	2025
Short-term loans from banks	¥88,521	¥40,367	\$591,993	1.55%
Commercial paper	266,000	272,000	1,778,907	0.58%
Total	¥354,521	¥312,367	\$2,370,900	—

Long-term debt at March 31, 2025 and 2024 consisted of the following:

	Millions of Yen		Thousands of	Weighted-average
	2025	2024	U.S. Dollars	interest rate
			2025	2025
Long-term loans, principally from banks	¥540,981	¥487,710	\$3,617,877	1.03%
Payables under securitized lease receivables	2,215	2,699	14,815	0.60%
Unsecured bonds	113,600	100,650	759,714	0.57%
Total	656,796	591,059	4,392,406	—
Less current portion	171,788	125,629	1,148,854	—
	¥485,008	¥465,430	\$3,243,552	—

The aggregate annual maturities of long-term debt subsequent to March 31, 2025 are summarized as follows:

Fiscal Year ending March 31,	Millions of Yen	Thousands of
		U.S. Dollars
2026	¥171,788	\$1,148,854
2027	181,200	1,211,798
2028	217,401	1,453,904
2029	41,071	274,666
2030	13,078	87,457
2031 and thereafter	32,258	215,727
	¥656,796	\$4,392,406

At March 31, 2025, the Company had overdraft facilities or line-of-credit agreements with 50 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, 2025, totaled ¥276,563 million (\$1,849,549 thousand).

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).

## 9. Commitment

### Loan commitment as lender

As of March 31, 2025 and 2024, the Company had the following balances:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Loan commitment agreements	¥17,112	¥18,458	\$114,441
The loans provided under these credit facilities	10,809	6,922	72,289
Aggregated balance of loan commitments available for customers of the Company	¥6,303	¥11,536	\$42,152

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, 2025, and 2024.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2025, and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
<b>Deferred tax assets:</b>			
Tax adjustments for lease transactions	¥1,145	¥2,309	\$7,658
Allowance for doubtful accounts	2,603	2,659	17,407
Loss on valuation of investment securities	570	986	3,811
Net operating loss carryforwards (*2)	684	692	4,575
Net defined benefit liability	470	449	3,146
Accrued bonuses	326	318	2,178
Other	3,363	2,133	22,494
Subtotal	9,161	9,546	61,269
Valuation allowance for tax loss carryforward (*2)	(683)	(692)	(4,569)
Valuation allowance for total amount of deductible temporary differences and other	(790)	(962)	(5,286)
Valuation allowance (*1)	(1,473)	(1,654)	(9,855)
<b>Total deferred tax assets</b>	<b>¥7,688</b>	<b>¥7,892</b>	<b>\$ 51,414</b>
<b>Deferred tax liabilities:</b>			
Net unrealized gain on marketable securities	(810)	(739)	(5,417)
Deferred losses on hedging derivatives	(990)	(197)	(6,617)
Other	(366)	(111)	(2,446)
<b>Total deferred tax liabilities</b>	<b>(2,166)</b>	<b>(1,047)</b>	<b>(14,480)</b>
<b>Net deferred tax assets</b>	<b>¥5,522</b>	<b>¥6,845</b>	<b>\$36,934</b>

(Change in presentation method)

Until the previous consolidated fiscal year, "deferred hedges" were included in "others." However, due to their increased importance, they have been presented separately from this consolidated fiscal year. In order to reflect this change in presentation method, the notes for the previous consolidated fiscal year have been reclassified.

As a result, the amount of ¥(308) (\$2,061 thousand) million presented in "others" in the previous consolidated fiscal year has been reclassified as ¥(197) (\$1,321 thousand) million for "deferred hedges" and ¥(110) (\$740 thousand) million for "others."

(\*1) The amount of valuation allowance decreased by ¥180 million (\$1,207 thousand). The main reason for this decrease was a decrease in the valuation allowance for losses on valuation of operational investment securities at some consolidated subsidiaries.

(\*2) The amounts of tax loss carryforward and related deferred tax assets by carryforward period at March 31, 2025, 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)	¥0	¥0	¥0	¥1	¥0	¥683	¥684
Valuation allowance	—	—	—	(1)	—	(682)	(683)
Deferred tax assets	0	0	0	0	0	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)	\$1	\$1	\$1	\$7	\$0	\$4,565	\$4,575
Valuation allowance	—	—	—	(6)	—	(4,563)	(4,569)
Deferred tax assets	1	1	1	1	0	2	(b) 6

(a) Tax loss carryforward is the amount after multiplying the statutory tax rate.

(b) Deferred tax assets of ¥0 million (\$1 thousand) are recognized for tax loss carryforward of ¥684 million (\$4,575 thousand), which is the amount after multiplying the statutory tax rate. Deferred tax assets of ¥0 million (\$1 thousand) are mainly recognized for certain part of tax loss carryforward of Our consolidated subsidiaries. As for the above tax loss carryforward, it is 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, 2025, and 2024 were as follows:

	2025	2024
Statutory tax rate	—	30.62%
(Reconciliation)		
Amortization of goodwill	—	0.41%
Adjustment related to distribution of net income of anonymous partnerships attributable to non-controlling interests	—	(3.44%)
Valuation allowance	—	3.02%
Different tax rates applied by consolidated subsidiaries	—	1.90%
Aggregation of income earned by foreign subsidiaries	—	0.76%
Inhabitant tax on per capita basis etc.	—	0.44%
Equity in earnings of affiliates	—	(0.12%)
Other	—	(0.44%)
Effective tax rate	—	33.15%

(Note) The note has been omitted for the current fiscal year, as the difference between the statutory effective tax rate and the actual tax rate after applying tax effect accounting is less than 5%.

Revision of amounts of deferred tax assets and deferred tax liabilities due to the change in the income tax rates

Following the enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 13 of 2025) by the Diet on March 31, 2025, a Special Corporate Tax for National Defense will be imposed from the fiscal years beginning on or after April 1, 2026.

Accordingly, for the calculation of deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal year beginning on or after April 1, 2026, the statutory effective tax rate has been changed from 30.62% to 31.52%.

The impact of this change in the effective tax rate is immaterial.

## 11. Business Combinations

(Transactions under common control, etc.)

The Company transferred 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 with an effective date of October 1, 2024.

### (1) Overview of the transaction

#### (i) Name and description of the businesses subject to the transaction

Name of the businesses:	Real estate-related businesses and renewable energy-related businesses
Description of the businesses:	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.

#### (ii) Date of the business combination

October 1, 2024

#### (iii) Legal form of business combination

This is an absorption-type split with the Company as the splitting company and NCS RE as the succeeding company.

#### (iv) Name of company after combination

No change

#### (v) Other matters related to the overview of the transaction

The Group aims to achieve its Group vision, established in fiscal 2023, "to be a solution company leading the next-generation circular economy" and reinforces 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, Limited, and Showa Leasing Co., Ltd., the Company decided to split off some of its businesses to more effectively pursue this collaboration between the three companies.

The Businesses were 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 agile and flexible pursuit of business strategies at NCS RE.

### (2) Outline of accounting treatment

It 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).

## 12. Revenue recognition

This disclosure is omitted as it is immaterial.

### 13. 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.

Certain consolidated subsidiaries have joined in multi-employer defined-benefit corporate pension plan, 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, 2025, and 2024 were as follows:

#### (1) Reconciliation of changes in defined benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Defined benefit obligations at beginning of year	<b>¥3,057</b>	¥3,196	<b>\$20,447</b>
Service cost	<b>158</b>	180	<b>1,056</b>
Interest cost	<b>34</b>	35	<b>225</b>
Actuarial gains and losses	<b>41</b>	(3)	<b>273</b>
Benefits paid	<b>(252)</b>	(303)	<b>(1,683)</b>
Reduction due to transition to a defined contribution plan	<b>0</b>	(48)	<b>0</b>
Defined benefit obligations at end of year	<b>¥ 3,038</b>	¥3,057	<b>\$20,318</b>

#### (2) Reconciliation of changes in plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Plan assets at beginning of year	<b>¥1,592</b>	¥1,501	<b>\$10,650</b>
Expected return on plan assets	<b>40</b>	38	<b>266</b>
Actuarial gains and losses	<b>(74)</b>	89	<b>(497)</b>
Employer contributions	<b>39</b>	40	<b>261</b>
Benefits paid	<b>(70)</b>	(75)	<b>(466)</b>
Plan assets at end of year	<b>¥1,527</b>	¥1,593	<b>\$10,214</b>

(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
	2025	2024	2025
Defined benefit obligations (funded)	<b>¥1,153</b>	¥1,143	<b>\$7,709</b>
Plan assets	<b>(1,527)</b>	(1,593)	<b>(10,214)</b>
Subtotal	<b>(374)</b>	(450)	<b>(2,505)</b>
Defined benefit obligations (unfunded)	<b>1,885</b>	1,915	<b>12,610</b>
Net liability (asset) recognized in the consolidated balance sheet	<b>¥1,511</b>	¥1,465	<b>\$10,105</b>
Net defined benefit liability	<b>1,885</b>	1,915	<b>12,610</b>
Net defined benefit asset	<b>(375)</b>	(450)	<b>(2,505)</b>
Net liability (asset) recognized in the consolidated balance sheet	<b>¥1,511</b>	¥1,465	<b>\$10,105</b>

(4) Retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost	<b>¥158</b>	¥180	<b>\$1,056</b>
Interest cost	<b>34</b>	35	<b>225</b>
Expected return on plan assets	<b>(40)</b>	(38)	<b>(266)</b>
Amortization of actuarial gains and losses	<b>(92)</b>	53	<b>(615)</b>
Retirement benefit expenses	<b>¥60</b>	¥230	<b>\$400</b>

(5) Adjustment amount of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Actuarial gains and losses	<b>¥(207)</b>	¥145	<b>\$(1,386)</b>
Total	<b>¥(207)</b>	¥145	<b>\$(1,386)</b>

(6) Remeasurement of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized actuarial gains and losses	<b>¥115</b>	¥(92)	<b>\$771</b>
Total	<b>¥115</b>	¥(92)	<b>\$771</b>

(7) Percentage by major category of plan assets

	2025	2024
Debt securities	56.8%	57.0%
Equity securities	26.1%	26.0%
General account	15.1%	14.8%
Short-term assets	0.2%	—
Other	1.8%	2.2%
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)

	2025	2024
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 ¥124 million (\$832 thousand) for the fiscal year ended March 31, 2025, and ¥119 million for the fiscal year ended March 31, 2024.

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 ¥253 million (\$1,692 thousand) and ¥283 million for the years ended March 31, 2025, and 2024, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Plan assets	¥111,073	¥93,049	\$742,814
Actuarial obligations for pension plan finance calculation	107,875	90,531	721,427
Net amount	¥3,197	¥2,518	\$21,380

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

For the fiscal year ended March 31, 2025 0.99% (From January 1, 2024 to December 31, 2024)  
 For the fiscal year ended March 31, 2024 1.21% (From January 1, 2023 to December 31, 2023)

(3) Supplementary explanation

The main factors of Net amount listed above (1) were general reserve (¥2,517 million (\$16,833 thousand) and ¥2,008 million for the fiscal years ended March 31, 2025, and 2024, respectively) and Retained Earnings (¥679 million (\$4,541 thousand) and ¥509 million for the fiscal years ended March 31, 2025, and 2024, respectively). In addition, ratio listed above (2) does not match the actual ratio afforded by the Group.

#### 14. Lease Transactions

Information relating to finance leases of the Company as lessor for the fiscal year ended March 31, 2025, and 2024 is summarized as follows:

##### (1) Components of investment in leases

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Lease payments receivables	<b>¥454,626</b>	¥422,392	<b>\$3,040,366</b>
Estimation of residual value	<b>13,269</b>	14,924	<b>88,740</b>
Unearned interest income	<b>(26,213)</b>	(22,413)	<b>(175,300)</b>
Investment in leases	<b>¥441,682</b>	¥414,903	<b>\$2,953,806</b>

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Lease receivables			
Due within 1 year	<b>¥27,117</b>	¥27,668	<b>\$181,350</b>
Due after 1 year through 2 years	<b>18,369</b>	20,400	<b>122,846</b>
Due after 2 years through 3 years	<b>12,286</b>	13,246	<b>82,162</b>
Due after 3 years through 4 years	<b>7,655</b>	7,655	<b>51,195</b>
Due after 4 years through 5 years	<b>3,848</b>	3,289	<b>25,734</b>
Due after 5 years	<b>6,661</b>	5,229	<b>44,544</b>
Investment in leases			
Due within 1 year	<b>¥151,159</b>	¥148,779	<b>\$1,010,892</b>
Due after 1 year through 2 years	<b>109,984</b>	107,193	<b>735,533</b>
Due after 2 years through 3 years	<b>82,960</b>	74,746	<b>554,805</b>
Due after 3 years through 4 years	<b>55,586</b>	48,986	<b>371,737</b>
Due after 4 years through 5 years	<b>29,835</b>	23,194	<b>199,528</b>
Due after 5 years	<b>25,102</b>	19,494	<b>167,871</b>

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Due within 1 year	<b>¥2,991</b>	¥3,294	<b>\$20,003</b>
Due after 1 year	<b>12,210</b>	14,552	<b>81,654</b>
Total	<b>¥15,201</b>	¥17,846	<b>\$101,657</b>

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Due within 1 year	¥1,390	¥1,450	\$9,297
Due after 1 year	8,370	9,464	55,973
Total	¥9,760	¥10,914	\$65,270

### 15. Pledged Assets

Assets pledged as collateral as of March 31, 2025, and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Lease receivables and investment in leases	¥1,208	¥1,245	\$8,079
Operational investment securities	2,992	5,121	20,010
Real estate for sale	—	3,272	—
Leased assets	19,918	21,213	133,206
Other operating assets	776	849	5,189
Total	¥24,894	¥31,700	\$166,484

Liabilities secured by the assets pledged as collateral as of March 31, 2025, and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Bonds payable	—	¥100	—
Long-term debt due within a year	120	658	800
Long-term debt	14,318	17,007	95,757
Total	¥14,438	¥17,765	¥96,557

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investments in capital of subsidiaries and affiliates	¥128	¥128	\$855
Total	¥128	¥128	\$855

Assets pledged for loans of companies which were borrowed from the third parties, etc. as of March 31, 2025, and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Accounts receivable - Loans	¥1,246	¥1,121	\$8,336
Investment securities	1,143	2,287	7,647
Other (Investments and other assets)	606	312	4,053
Total	¥2,995	¥3,720	\$20,036

## 16. Financial Instruments

### Year ended March 31, 2025

#### 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. 1).

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, securities, operational investment securities, 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, 2025, the total market risk quantity (estimated amount of losses) of long-term fixed rate assets and liabilities was ¥40 million (\$268 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 17 “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	¥512,090			\$3,424,667		
Allowance for doubtful accounts (*3)	(1,359)			(9,089)		
(*4)	510,731	500,795	(9,936)	3,415,578	3,349,127	(66,451)
(2) Installment sales receivable	31,602			211,343		
Allowance for doubtful accounts (*3)	(429)			(2,870)		
	31,173	30,859	(314)	208,473	206,373	(2,100)
(3) Loans receivable	220,538			1,474,872		
Allowance for doubtful accounts (*3)	(4,596)			(30,739)		
	215,942	215,034	(908)	1,444,133	1,438,066	(6,067)
(4) Securities, operational investment securities and investment securities(*6),(*7)	10,286	10,286	—	68,788	68,788	—
Total assets	¥768,132	¥756,974	¥(11,158)	\$5,136,972	\$5,062,354	\$(74,618)
(1) Bonds	¥113,600	¥111,235	¥(2,365)	\$759,713	\$743,895	\$(15,818)
(2) Long-term debt	553,981	553,388	(593)	3,704,816	3,700,849	(3,967)
Total liabilities	¥667,581	¥664,623	¥(2,958)	\$4,464,529	\$4,444,744	\$(19,785)
Derivatives (*5)	¥1,070	¥1,070	¥—	\$7,158	\$7,158	\$—

(\*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) Securities, 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	¥36,918	\$246,894

(\*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 ¥64,989 million (\$434,622 thousand).

The following table shows the scheduled maturity payments of monetary claims and securities with maturity dates after March 31, 2025

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	¥110,097	¥—	¥—	¥—
Lease receivables and investment in leases (*1)(*2)	178,276	320,524	25,232	6,530
Installment sales receivables (*1)(*2)	15,829	16,530	268	—
Loans receivables (*2)	114,348	83,966	27,697	1,068
Accounts receivables-leases (*2)	25,560	—	—	—
Purchased receivables (*3)	244	3,214	350	59
Income taxes receivable	274	—	—	—
Available-for-sale securities				
Debt/bond	577	3,439	—	—
<b>Total</b>	<b>¥445,205</b>	<b>¥427,673</b>	<b>¥53,547</b>	<b>¥7,657</b>

Thousands of U.S. Dollars

	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	\$736,291	\$—	\$—	\$—
Lease receivables and investment in leases (*1)(*2)	1,192,242	2,143,541	168,741	43,674
Installment sales receivable (*1)(*2)	105,856	110,548	1,795	—
Loans receivables (*2)	764,718	561,530	185,229	7,140
Accounts receivable-leases (*2)	170,937	—	—	—
Purchased receivables (*3)	1,629	21,498	2,338	395
Income taxes receivable	1,829	—	—	—
Available-for-sale securities				
Debt/bond	3,858	23,000	—	—
<b>Total</b>	<b>\$2,977,360</b>	<b>\$2,860,117</b>	<b>\$358,103</b>	<b>\$51,209</b>

(\*1) The amount of interest income is included in the maturity table above.

(\*2) Receivables from companies in bankruptcy and reorganization of ¥4,686million (\$31,339 thousand) are not included in the table above, because payments are not expected to be collected on schedule.

(\*3) Purchased receivables of ¥6,843 million (\$45,763 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, 2025

	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	¥354,521	¥—	¥—	¥—	¥—	¥—
Unsecured bonds	20,000	30,600	28,000	15,000	—	20,000
Long-term debt	151,367	150,400	189,202	25,932	12,937	24,143
Payables under securitized lease receivables	421	200	200	139	141	1,114
Total	¥526,309	¥181,200	¥217,402	¥41,071	¥13,078	¥45,257

	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	\$2,370,900	\$—	\$—	\$—	\$—	\$—
Unsecured bonds	133,752	204,641	187,253	100,315	—	132,752
Long-term debt	1,012,288	1,005,820	1,265,314	173,419	86,515	161,461
Payables under securitized lease receivables	2,814	1,337	1,337	932	942	7,453
Total	\$3,519,754	\$1,211,798	\$1,453,904	\$274,666	\$87,457	\$302,666

### 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, 2025

	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Securities, operational investment securities and investment securities				
Other securities				
Equity securities	¥682	¥88	¥—	¥770
Debt securities	—	—	4,233	4,233
Other	435	4,848	—	5,283
Derivative transactions				
Interest-related transactions	—	2,798	—	2,798
Total assets	¥1,117	¥7,734	¥4,233	¥13,084
Derivative transactions				
Currency-related transactions	—	(1,728)	—	(1,728)
Total liabilities	¥—	¥(1,728)	¥—	¥(1,728)

March 31, 2025

	Fair value (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Securities, operational investment securities and investment securities				
Other securities				
Equity securities	\$4,564	\$585	\$—	\$5,149
Debt securities	—	—	28,308	28,308
Other	2,908	32,424	—	35,332
Derivative transactions				
Interest-related transactions	—	18,713	—	18,713
Total assets	\$7,472	\$51,722	\$28,308	\$87,502
Derivative transactions				
Currency-related transactions	—	(11,555)	—	(11,555)
Total liabilities	\$—	\$(11,555)	\$—	\$(11,555)

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

March 31, 2025

	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Installment sales receivables	¥—	¥—	¥30,859	¥30,859
Lease receivables and investment in leases	—	—	500,795	500,795
Loans receivables	—	—	215,034	215,034
Total assets	¥—	¥—	¥746,688	¥746,688
Bonds (including current portion)	—	111,235	—	111,235
Long-term debt (including current portion)	—	—	553,388	553,388
Total liabilities	¥—	¥111,235	¥553,388	¥664,623

March 31, 2025

	Fair value (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Installment sales receivables	\$—	\$—	\$206,373	\$206,373
Lease receivables and investment in leases	—	—	3,349,127	3,349,127
Loans receivables	—	—	1,438,066	1,438,066
Total assets	\$—	\$—	\$4,993,566	\$4,993,566
Bonds (including current portion)	—	743,895	—	743,895
Long-term debt (including current portion)	—	—	3,700,849	3,700,849
Total liabilities	\$—	\$743,895	\$3,700,849	\$4,444,744

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

Securities, 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.

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, 2025

	Valuation technique	Significant unobservable inputs	Range of inputs	Weighted average of inputs
Securities, operational investment securities and investment securities				
Other securities				
Debt securities	Present value method	Discount rate	5.9%-7.4%	6.8%

(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, 2025

	(Millions of Yen)		(Thousands of U.S. Dollars)	
	Securities, operational investment securities and investment securities	Total	Securities, operational investment securities and investment securities	Total
	Other securities		Other securities	
	Debt securities		Debt securities	
Beginning balance	¥1,375	¥1,375	\$9,194	\$9,194
Recognized in profit or loss or other comprehensive income for the year				
Recognized in profit or loss (*1)				
Recognized in other comprehensive income (*2)	(0)	(0)	(3)	(3)
Purchases, sales, issuance and redemption				
Purchases	3,641	3,641	24,349	24,349
Sales	(53)	(53)	(354)	(354)
Issuance	(758)	(758)	(5,067)	(5,067)
Redemption	—	—	—	—
Reclassification to Level 3 fair value	—	—	—	—
Reclassification from level 3 fair value	—	—	—	—
Other	28	28	189	189
Ending balance	¥4,233	¥4,233	\$28,308	\$28,308
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 consolidated 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, 2024

## 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	¥489,455		
Allowance for doubtful accounts (*3)	(1,575)		
(*4)	487,880	485,699	(2,181)
(2) Installment sales receivable	36,639		
Allowance for doubtful accounts (*3)	(276)		
	36,363	36,493	130
(3) Loans receivable	230,268		
Allowance for doubtful accounts (*3)	(5,298)		
	224,970	226,466	1,496
(4) Operational investment securities and Investment securities(*6),(*7),	6,942	6,942	—
Total assets	¥756,155	¥755,600	¥(555)
(1) Bonds	¥100,750	¥99,407	¥(1,343)
(2) Long-term debt	503,129	502,997	(132)
Total liabilities	¥603,879	¥602,404	¥(1,475)
Derivatives (*5)	¥(2,657)	¥(2,657)	¥—

(\*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	¥38,927

(\*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.

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	¥53,728	¥—	¥—	¥—
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	—
<b>Total</b>	<b>¥399,555</b>	<b>¥411,534</b>	<b>¥39,716</b>	<b>¥6,059</b>

(\*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 are not included in the table above, because payments are not expected to be collected on schedule.

(\*3) Purchased receivables of ¥4,067 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, 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
<b>Total</b>	<b>¥437,996</b>	<b>¥216,865</b>	<b>¥186,777</b>	<b>¥9,966</b>	<b>¥26,758</b>	<b>¥40,586</b>

## 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, 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
<b>Total assets</b>	<b>¥1,494</b>	<b>¥4,506</b>	<b>¥1,375</b>	<b>¥7,375</b>
Derivative transactions				
Currency-related transactions	—	(3,090)	—	(3,090)
<b>Total liabilities</b>	<b>¥—</b>	<b>¥(3,090)</b>	<b>¥—</b>	<b>¥(3,090)</b>

(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
<b>Total assets</b>	<b>¥—</b>	<b>¥—</b>	<b>¥748,659</b>	<b>¥748,659</b>
Bonds (including current portion)	—	98,258	150	99,408
Long-term debt (including current portion)	—	—	502,997	502,997
<b>Total liabilities</b>	<b>¥—</b>	<b>¥98,258</b>	<b>¥503,147</b>	<b>¥602,405</b>

(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)

	Operational investment securities and investment securities	Total
	Other securities	
	Debt securities	
Beginning balance	¥720	¥720
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)
Purchases, sales, issuance and redemption	—	—
Purchases	970	970
Sales	(250)	(250)
Issuance	(153)	(153)
Redemption	—	—
Reclassification to Level 3 fair value	—	—
Reclassification from level 3 fair value	—	—
Other	129	129
Ending balance	¥1,375	¥1,375
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 consolidated 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.

**17. Derivatives**

**Year ended March 31, 2025**

(1) Derivatives for which hedge accounting is not applied

Derivatives related to currency at March 31, 2025, were as follows:

	March 31, 2025			
	Amount of contract	Gain	Loss	Fair value
	Millions of Yen			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	¥27,122	¥—	¥1,622	¥(1,622)
receipt U.S. dollar, payment Malaysian Ringgit	91,227	—	56	(56)
receipt Yen, payment Malaysian Ringgit	1,854	—	50	(50)

	March 31, 2025			
	Amount of contract	Gain	Loss	Fair value
	Thousands of U.S. Dollars			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	\$181,382	\$—	\$10,849	\$(10,849)
receipt U.S. dollar, payment Malaysian Ringgit	610,089	—	371	(371)
receipt Yen, payment Malaysian Ringgit	12,399	—	334	(334)

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, 2025, were as follows:

Not applicable

Interest rate related transactions at March 31, 2025, were as follows:

Interest rate swaps that are accounted for using deferral hedge accounting

	March 31, 2025			
	Hedged item	Notional amount	Notional amount expiring on April 1, 2025 or after	Fair value (*1)
	Millions of Yen			
Interest rate swap transactions				
pay fixed, receive variable	<b>Borrowings</b>	¥430,000	¥398,000	¥2,798

	March 31, 2025			
	Hedged item	Notional amount	Notional amount expiring on April 1, 2025 or after	Fair value (*1)
	Thousands of U.S. Dollars			
Interest rate swap transactions				
pay fixed, receive variable	<b>Borrowings</b>	\$2,875,677	\$2,661,673	\$18,713

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

**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	¥(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)

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

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

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

## 18. 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 2023	Advance grant-type stock options for 2024
Title and number of grantees (Persons)	4 directors of the Company	4 directors of the Company
Class and number of shares granted	5,671 shares ordinary stocks	5,467 shares ordinary stocks
Date of grant	July 26, 2023	July 26, 2024
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, 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.	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, 2024 to the completion of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2025 (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 2024 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, 2023 to June 27, 2024	From July 1, 2024 to June 25, 2025

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

#### (i) Amount and account

	Year ended March 31, 2024	Year ended March 31, 2025
Selling, general, and administrative expenses	¥15 million	¥21 million (\$140thousand)

#### (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, 2025.

	Advance grant-type stock options for 2023	Advance grant-type stock options for 2024
As of March 31, 2024 (shares)	5,671	—
Granted (shares)	—	5,467
Forfeited (shares)	—	—
Vested (shares)	5,671	—
As of March 31, 2025 (shares)	—	5,467

#### (iii) Price information

Fair value at date of grant (Yen)	¥3,085	¥4,090
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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 Stock 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.

**19. Segment Information**

**Years ended March 31, 2025 and 2024**

(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 that the Group pursues, 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 rental residences and healthcare warehousing business, renewable energy power generation and sales business, PFI/PPP business, tourism, other services 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, 2025, and 2024 was as follows:

	2025						Adjustment	Amount recorded in the consolidated financial statements
	Reportable segments							
	Leasing	Finance	Investment	Other	Total			
Millions of Yen								
Net sales								
Net sales from customers	¥229,196	¥7,603	¥13,746	¥4,335	¥254,880	¥—	¥254,880	
Intersegment revenues	0	—	73	43	116	(116)	—	
Total	¥229,196	¥7,603	¥13,819	¥4,378	¥254,996	¥(116)	¥254,880	
Segment income	¥4,367	¥2,884	¥2,194	¥524	¥9,969	¥(2,187)	¥7,782	
Segment assets	651,312	231,968	168,813	65,075	1,117,168	107,630	1,224,798	
Others								
Depreciation	¥28,411	¥81	¥415	¥1,276	¥30,183	¥71	¥30,254	
Amortization of goodwill	186	—	—	20	206	—	206	
Investment in affiliated companies	602	874	17,086	3,146	21,708	—	21,708	
Increase in property and equipment and intangible assets	29,677	376	8,696	5,517	44,266	333	44,599	
2025								
	Reportable segments					Adjustment	Amount recorded in the consolidated financial statements	
	Leasing	Finance	Investment	Other	Total			
	Thousands of U.S. Dollars							
Net sales								
Net sales from customers	\$1,532,773	\$50,847	\$91,925	\$28,993	\$1,704,538	\$—	\$1,704,538	
Intersegment revenues	0	—	488	290	778	(778)	—	
Total	\$1,532,773	\$50,847	\$92,413	\$29,283	\$1,705,316	\$(778)	\$1,704,538	
Segment income	\$29,202	\$19,289	\$14,676	\$3,504	\$66,671	\$(14,626)	\$52,045	
Segment assets	4,355,724	1,551,316	1,128,959	435,195	7,471,194	719,791	8,190,985	
Others								
Depreciation	\$190,003	\$541	\$2,773	\$8,536	\$201,853	\$474	\$202,327	
Amortization of goodwill	1,242	—	—	137	1,379	—	1,379	
Investment in affiliated companies	4,028	5,844	114,263	21,037	145,172	—	145,172	
Increase in property and equipment and intangible assets	198,469	2,513	58,155	36,896	296,033	2,230	298,263	

- Adjustment of ¥(2,187) million (\$14,626 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 ¥107,630million (\$719,791 thousand) in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥333 million (\$2,230 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 the increase in property and equipment and intangible assets.

	2024						Adjustment	Amount recorded in the consolidated financial statements
	Reportable segments					Total		
	Leasing	Finance	Investment	Other				
Millions of Yen								
Net sales								
Net sales from customers	¥228,437	¥9,110	¥13,642	¥4,668	¥255,857	¥—	¥255,857	
Intersegment revenues	0	—	64	26	90	(90)	—	
<b>Total</b>	<b>¥228,437</b>	<b>¥9,110</b>	<b>¥13,706</b>	<b>¥4,694</b>	<b>¥255,947</b>	<b>¥(90)</b>	<b>¥255,857</b>	
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	

- Adjustment of ¥(1,791) 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 ¥35,711 million in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥302 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 the increase in property and equipment and intangible assets.

(4) Related Information

(i) Information by geographical areas

a) Net sales

Disclosure of revenues by geographical areas is omitted because the amount of domestic revenues is more than 90% of the amount of the consolidated net sales.

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 net sales.

(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, 2025, and 2024 was as follows:

	2025						
	Reportable Segments					Corporate or Elimination	Total
	Leasing	Finance	Investment	Other	Total		
	Millions of Yen						
Amortization for the current fiscal year	¥186	¥—	¥—	¥20	¥206	¥—	¥206
Balance at March 31, 2025	1,032	—	—	272	1,304	—	1,304

	2025						
	Reportable Segments					Corporate or Elimination	Total
	Leasing	Finance	Investment	Other	Total		
	Thousands of U.S. Dollars						
Amortization for the current fiscal year	\$1,242	\$—	\$—	\$137	\$1,379	\$—	\$1,379
Balance at March 31, 2025	6,900	—	—	1,822	8,722	—	8,722

	2024						
	Reportable Segments					Corporate or Elimination	Total
	Leasing	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

(7) Information about negative goodwill by reportable segment

Not applicable

20. 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 transferring 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 21, 2025, cash dividends amounting to ¥1,616 million (\$10,806 thousand) were approved. This appropriation has not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2025.

## 21. Related Party Transactions

### Year ended March 31, 2025:

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

The Company has borrowed business funds from SBI Shinsei Bank, Ltd. that has a 33.3% ownership share in the Company at a transaction amount of ¥110,485 million (\$738,882 thousand) for the year, and the outstanding balance of ¥41,250 million (\$275,866 thousand) at the year-end has been included in “short-term borrowings” and the outstanding balance of ¥50,250 million (\$336,053 thousand) at the year-end has been included in “long-term borrowings” In addition, in connection with the borrowing of business funds from SBI Shinsei Bank, Ltd. the Company has paid interest in the transaction amount of ¥518 million (\$3,463 thousand) and fees in the transaction amount of ¥266 million (\$1,779 thousand).

The Company procured equipment for lease transactions from NEC Corporation that has a 17.6% ownership share in the Company at a transaction amount of ¥76,359 million (\$510,663 thousand) for the year, and the outstanding balance of ¥5,747 million (\$38,432 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 ¥34,717 million (\$232,173 thousand) and the outstanding balance of ¥9,026 million (\$60,363 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 ¥18,220 million (\$121,851 thousand) for the year, and the outstanding balance of ¥1,431 million (\$9,567 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 ¥20,787 million (\$139,015 thousand) and the outstanding balance of ¥6,802 million (\$45,491 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 ¥13,217 million (\$88,391 thousand) and the outstanding balance of ¥4,272 million (\$28,569 thousand) at the year-end has been included in “Accounts receivable - Loans.”

### 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 for the year, and the outstanding balance of ¥3,112 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 ¥25,044 million and the outstanding balance of ¥8,779 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 ¥11,823 million for the year, and the outstanding balance of ¥1,832 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 ¥22,303 million and the outstanding balance of ¥6,791 million 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 and the outstanding balance of ¥3,352 million at the year-end has been included in “Accounts receivable - Loans.”

## 22. Significant Subsequent Events

(Transactions under common control, etc.)

The Company transferred its real estate investment and financing business, which are among the Company's real estate-related businesses, and the leasing and 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 with an effective date of April 1, 2025.

### (1) Overview of the transaction

#### (i) Name and description of the businesses subject to the transaction

Name of the businesses:	Real estate-related businesses and renewable energy-related businesses
Description of the businesses:	Real estate investment and financing business, which are among the Company's real estate-related businesses, and the leasing and investment businesses, which are among the Company's renewable energy-related businesses

#### (ii) Date of the business combination

April 1, 2025

#### (iii) Legal form of business combination

This is an absorption-type split with the Company as the splitting company and NCS RE as the succeeding company.

#### (iv) Name of company after combination

No change

#### (v) Other matters related to the overview of the transaction

The Group aims to achieve its Group vision, established in fiscal 2023, "to be a solution company leading the next-generation circular economy" and reinforces 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, Limited, and Showa Leasing Co., Ltd., the Company decided to split off some of its businesses to more effectively pursue this collaboration between the three companies.

The Businesses were 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 agile and flexible pursuit of business strategies at NCS RE.

### (2) 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).

(Acquisition of Shares of ORIX Asset Management & Loan Services Corporation)

The Company's consolidated subsidiary RISA Partners, Inc. ("RISA Partners") resolved, at the meeting of its Board of Directors on April 28, 2025, to acquire the shares, etc. of ORIX Asset Management & Loan Services Corporation and seven other companies and make them subsidiaries of RISA Partners. The companies concluded the share purchase agreement on May 1, 2025.

### (1) Overview of the business combination

#### (i) Name of acquiree and description of its business

Name of the company:	ORIX Asset Management & Loan Services Corporation
Description of business:	Servicing

#### (ii) Name of the counterparty and description of its business

Name of company:	ORIX Corporation
Description of business:	Diversified financial services

#### (iii) Primary reasons for the business combination

RISA Partners has built a unique business model that combines the three domains of corporate, non-performing loans, and real estate with the two functions of financing and investment, and advisory, and provides one-stop solutions to meet the diverse needs of our clients.

In the area of non-performing loans since its foundation, RISA Partners has been engaged in a receivables investment business with the aim of contributing to the development of small and medium-sized enterprises (SMEs) in Japan by investing in loan receivables and providing support for turnaround to SMEs throughout Japan. RISA Partners has a rich track record in both non-performing loan bulk sales and business revitalization investments.

On the other hand, ORIX Asset Management & Loan Services Corporation, as a pioneer in the industry, has a rich track record and advanced know-how in receivables investment and management and recovery, including non-performing loan

investment, support for turnaround, asset value improvement of collateralized real estate, securitization of loan receivables, and entrusted management and recovery of real estate loan receivables.

Going forward, the Company believes that by respecting the characteristics and strengths of both companies, integrating the human resources, know-how, and corporate culture of both companies, and diversifying investment targets, sizes, and methods, it will be possible to create further business and growth opportunities for both companies, thereby contributing to the enhancement of corporate value of the Company.

(iv) Date of business combination

The execution of equity transfer is scheduled on July 1, 2025.

(v) Legal form of business combination

Acquisition of equity for cash consideration

(vi) Name of the combined company

There will be no change to the combined company.

(vii) Ratio of voting rights to be acquired

100%

(viii) Primary basis for determining the acquiree

RISA Partners acquires equity for cash consideration.

(2) Acquisition cost of the acquiree, and consideration for the acquisition and breakdown thereof by consideration type

Consideration for acquisition: Cash and deposits of ¥18,000 million

Acquisition cost: ¥18,000 million

(3) Components and amount of primary acquisition related cost

Advisory fees, etc. (approximate amount): ¥168 million

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

Not yet determined at this point.

(5) Amounts of assets received, and liabilities assumed on the date of the acquisition of the company and major components thereof

Not yet determined at this point.

(Issuance of domestic straight bond)

The Company issued unsecured bond on July 14, 2025, based on the maximum amount of issuance of domestic unsecured straight bond for the year ending March 31, 2025, and its outline resolved at the Board of Directors' meeting held on March 31, 2025.

The contents are as follows.

(1) Name	29th unsecured straight bond (with inter-bond pari passu clause)
(2) Amount of issue	¥14,000 million (\$93,627 thousand)
(3) Payment date	July 14, 2025
(4) Issue price	¥100 (\$0.67) per face value of ¥100 (\$0.67)
(5) Interest rate	1.472% per annum
(6) Maturity date	July 13, 2029
(7) Method of redemption	Redemption on maturity (however, the redemption by purchase will be available any time on and after the following day of the issue date)
(8) Use of proceeds	Equipment funds (including lease asset purchase funds)



# Independent Auditor's Report

NEC Capital Solutions Limited

For the Years ended March 31,  
2025 and 2024

KPMG AZSA LLC  
September 2025

This independent auditor's report prepared by KPMG AZSA LLC (including the one that is signed with electronic signatures) shall not be reprinted, disclosed, quoted, summarized, translated, cited, circulated or otherwise used, in whole or in part, to any third party including posting on the web without prior written consent as specified by KPMG AZSA LLC, except for the purpose of compliance with laws, regulations and the like, or for usage in response to an order or request from an administrative or judicial body.



# 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, 2025 and 2024, 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, 2025 and 2024, 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 ¥31,602 million, lease receivables and investment in leases of ¥512,090 million, accounts receivable-leases of ¥25,560	The primary procedures we performed to assess the reasonableness of the evaluation of allowance for doubtful accounts using the cash flow estimation method for operating receivables related

million, accounts receivable -loans of ¥220,537 million, purchased receivables of ¥10,709 million, receivables from companies in bankruptcy and reorganization of ¥4,686 million, and allowance for doubtful accounts for the balances of these receivables of ¥12,726 million in the consolidated balance sheet as of March 31, 2025. These were mainly related to the Leasing Business and the Finance Business of the Company.

As described in Notes "2. Summary of Significant Accounting Policies" and "3. Significant Accounting Estimates" to the consolidated financial statements, allowance for doubtful accounts is recorded to provide for probable losses based on historical loan loss ratio for those receivables other than specific doubtful accounts, and based on an estimate of the uncollectible amounts after a review of the collectability for the specific doubtful receivables.

Allowance for doubtful accounts for those specified receivables is provided using the cash flow estimation method for receivables for large debtors above a certain threshold, when it is reasonably possible to estimate the future cash flow associated with the collection of the principal and receipt of interest. In the case of receivables for which an allowance for doubtful accounts is provided using the cash flow estimation method, the estimation process involves management judgment, as the projected future cash flows are evaluated based on the anticipated profitability of the project as outlined in the business plan provided by the debtor.

We, therefore, determined that our assessment of allowance for doubtful accounts using the cash flow estimation method 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.

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 certain of the Company's internal controls relevant to the process of recognizing allowance for doubtful accounts, with a particular focus on the following:

- Whether allowance for doubtful accounts has been appropriately recognized based on a reasonable estimation of future cash flows under the cash flow estimation method.

**(2) Reasonableness of estimates of future cash flows**

In order to examine the reasonableness of estimating future cash flows of receivables, for which allowance for doubtful accounts is provided for under the cash flow estimation method, we performed audit procedures which included the following:

- We evaluated the appropriateness and consistency of the assumptions used by the Company in its estimation of future cash flows through inspecting and analyzing the supporting documentation for the estimation of future cash flows, which is based on the profitability of the project as outlined in the business plan provided by the debtor, and making inquiries of relevant review departments regarding the progress of the plan and the potential need for revisions, as necessary.

## 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 182 million yen and 19 million yen, respectively.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 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 3, 2025

**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 2025 (Financial Section)

NEC Capital Solutions Limited

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