Value Integrator®

FINANCIAL INFORMATION

2016

For the year ended March 31, 2016

MUFG Mitsubishi UFJ Lease & Finance

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Results

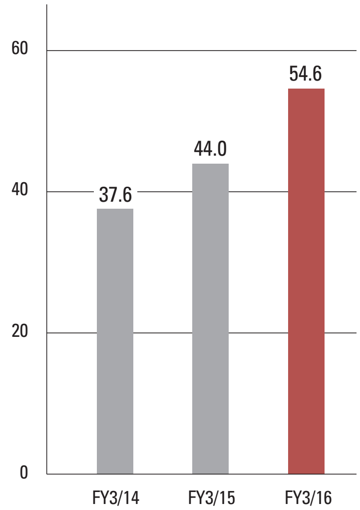
In the fiscal year ended March 31, 2016, the economic environment continued to be characterized by overall uncertainty, due for instance to the slowdown in China and other emerging economies and the strength of the yen from the beginning of the new year. In response to these conditions, the Mitsubishi UFJ Lease & Finance Group vigorously pursued the strategies set out in **Limitless Evolution**, the Medium-Term Management Plan it launched in April 2014, taking proactive measures under the plan to develop new businesses based on its accumulated expertise in specialized fields and to further strengthen its business base in Japan and overseas.

As a result, the Group posted an 11.2% year-on-year increase in consolidated revenues, which grew by ¥83.3 billion to ¥825.8 billion. The Group also set all-time records at all stages of consolidated income, with gross profit increasing by ¥32.7 billion or 24.5% to ¥165.9 billion, operating income by ¥18.0 billion or 25.7% to ¥88.2 billion, and net income attributable to owners of the parent by ¥10.5 billion or 24.0% to ¥54.6 billion. This was the fifth consecutive year of record results for net income attributable to owners of the parent.

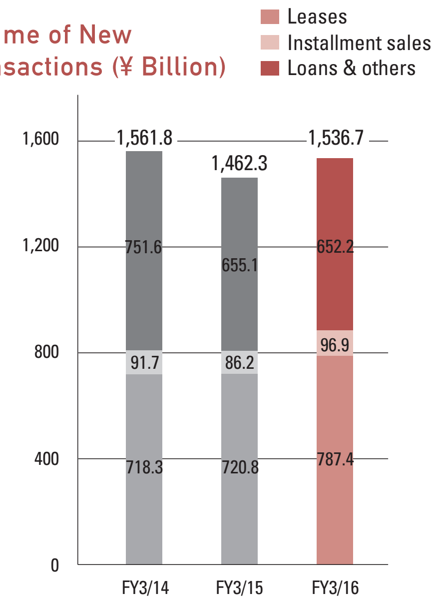
The volume of new transactions during the fiscal year ended March 31, 2016, grew by 5.1% year on year to ¥1,536.7 billion driven by robust demand in the domestic market and other factors including the contribution of overseas subsidiaries acquired during the fiscal year ended March 31, 2015.

By business segment, the volume of new transactions posted a 9.2% year-on-year increase in the leasing business to reach ¥787.4 billion, and a 12.4% increase in the installment sales business to ¥96.9 billion, while the loans business experienced a 0.2% decline to ¥613.4 billion and other businesses a decline of 4.1% to ¥38.8 billion.

Net Income Attributable to Owners of the Parent (¥ Billion)



Volume of New Transactions (¥ Billion)



Financial Position

As of March 31, 2016, the total assets of Mitsubishi UFJ Lease & Finance stood at ¥5,121.2 billion, an increase of ¥85.5 billion over the previous fiscal year-end.

Due among other factors to the rise in net income attributable to owners of the parent, total equity expanded by ¥21.0 billion from the previous year-end to ¥642.3 billion, driving the equity ratio up by 0.2 of a percentage point to 12.0%. The balance of interest-bearing debt fell by ¥1.5 billion from the previous year-end to ¥3,908.7 billion.

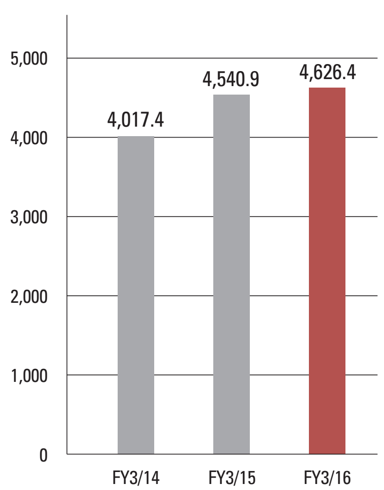
Operating activities used ¥36.8 billion, compared to ¥56.2 billion used in the previous fiscal year. The main inflows were ¥90.1 billion in income before income taxes, ¥123.3 billion in depreciation and amortization, and ¥106.4 billion from loss on disposals and sales of leased assets. These were offset by expenditure items including chiefly ¥306.4 billion used in the purchases of leased assets, ¥35.0 billion due to an increase in lease receivables and investments in leases, and ¥30.2 billion in income taxes—paid.

Investing activities used ¥5.1 billion, compared to ¥31.4 billion used in the previous fiscal year. The main outflows were ¥4.5 billion for purchases of investment securities and ¥2.6 billion for purchases of own used assets, partly balanced by ¥1.1 billion in proceeds from sales and redemption of investment securities.

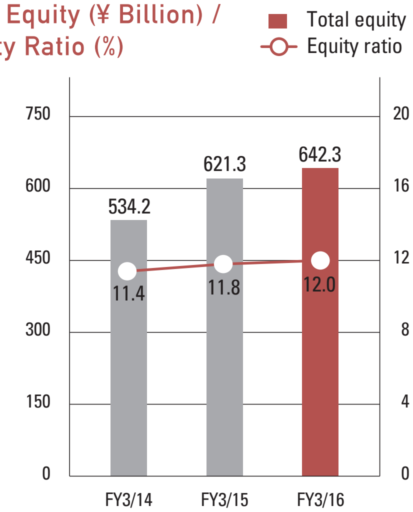
Financing activities provided net cash of ¥50.7 billion, compared with a net inflow of ¥65.3 billion in the previous fiscal year. Direct financing such as corporate bonds and commercial paper provided net proceeds of ¥68.4 billion, while indirect financing such as bank loans used net cash of ¥8.1 billion. Among the other main outflows was ¥9.4 billion in cash dividends paid.

As a result of these movements, cash and cash equivalents as of March 31, 2016 stood at ¥111.0 billion, an increase of ¥8.2 billion or 8.1% from the previous fiscal year-end.

Operating Assets (¥ Billion)



Total Equity (¥ Billion) / Equity Ratio (%)



BUSINESS AND RELATED RISKS

The Mitsubishi UFJ Lease & Finance Group engages in business activities mainly in the field of leases, installment sales, and finance. The Group is exposed to various risks. The primary risks are credit risk (delinquency and insolvency by a counterparty) and interest rate fluctuation risk.

The Group regards these envisaged risk factors as subjects of risk management and holds quarterly meetings of the Risk Management Committee, composed of directors and the managers of relevant departments. Detailed reports on risk factors are made to the committee, which then makes decisions on response policies against these risks and takes other measures to prevent risk from emerging or to facilitate a versatile response when it does emerge.

The forward-looking statements herein are based on judgments made by the Group as of the end of the consolidated fiscal year ended March 31, 2016 and may differ from actual outcomes due to changes in the external environment and other factors. Being aware of these risks, the Group has put in place the necessary functions for risk management and strives to avoid risk or to minimize its impact when it occurs.

01 Credit Risk

The Mitsubishi UFJ Lease & Finance Group is exposed to credit risk arising from non-payment of lease or installment sales fees or similar due to a bankruptcy or equivalent situation in the counterparty's organization.

In response, the Group operates a credit assessment system for each individual transaction, including assessment of country risk, and implements a careful screening process. After entering into a transaction, the Group continues to monitor both the credit and market conditions and takes any necessary action as appropriate. In the event of a customer default or similar cases, the Group takes measures to avert loss, for instance by selling the lease property or other assets or by setting up a secondary lease.

The Group takes further measures to analyze and quantify the potential credit risk in its portfolio using external data on corporate bankruptcy trends, in-house calculations of the likelihood of bankruptcy based on individual corporate credit ratings, or annual data on leased property value fluctuation based on the unique expertise we have acquired through long-term operation. This quantitative approach to credit risk enables us to maintain stable operations and management. We also make use of the relevant data to map out our business strategies and to promote portfolio management, in which the final aim is to maximize return with minimum risk.

02 Interest Rate Fluctuation Risk

The Mitsubishi UFJ Lease & Finance Group is exposed to interest rate fluctuation risk arising from imbalances between assets and liabilities.

To manage the interest rate fluctuation risk appropriately, the Group carries out constant monitoring of not only interest rate movements, but also any imbalances in interest conditions or in the duration between invested assets and financing liabilities. The interest rate fluctuation risk is monitored at the quarterly meeting of the ALM (Asset Liability Management) Committee, composed of directors and managers of relevant departments. The ALM Committee reviews market conditions, analyzes the asset and liability portfolio, and makes policy decisions on risk management, new fund procurement, and related matters.

03 System Change Risk

The Mitsubishi UFJ Lease & Finance Group is exposed to system risk arising from changes or amendments to legislation, taxation, accounting, or other systems.

The Group operates its various finance businesses based on existing systems. In the event of a material change in these systems, the Group could be adversely affected.

04 Risk from Natural Disaster

Earthquake, torrential rain, flood, or other natural disasters could disrupt our business activities or related operations. To prepare for such events, the Mitsubishi UFJ Lease & Finance Group has formulated in advance a business continuity plan and other measures constituting a system to enable continued operation. Notwithstanding these measures, the Group's business performance or financial situation may be adversely affected by disturbance of the smooth conduct of business or other negative consequences.

05 Risk Relating to Strategic Alliances and Corporate Acquisitions

To achieve sustainable growth as a comprehensive finance company which leads the industry, not only do we strengthen and expand the functions we provide, but we also actively promote alliances, acquisitions, and related strategies. In the case of such alliances and acquisitions, factors such as system changes or changes in the external environment may make it impossible to maintain the alliance relationship, while the acquisitions may fail to achieve the expected benefit. Moreover, planned alliances or acquisitions may be delayed or fail to be implemented due to various reasons, and unexpected costs may occur.

06 Other Risk

Besides the above risks, the Mitsubishi UFJ Lease & Finance Group is exposed to risk arising from fluctuation of the future value of lease property that is a critical factor in an operating lease transaction, known as residual asset value risk, as well as fund liquidity risk, compliance risk, and risk in system operation and administrative operation.

Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets			
Current assets:			
Cash and cash equivalents (Notes 11 and 22)	¥111,071	¥102,773	$982,934
Time deposits other than cash equivalents (Notes 11 and 22)	8,750	10,135	77,439
Marketable securities (Notes 4 and 22)	12,296	14,202	108,820
Receivables:			
Lease	20,022	20,250	177,193
Installment sales (Note 22)	267,492	258,057	2,367,187
Loans (Notes 11, 12, and 22)	1,241,831	1,257,593	10,989,662
Lease receivables and investments in leases (Notes 7, 11, and 22)	1,480,378	1,447,615	13,100,695
Inventories (Note 5)	2,851	1,302	25,237
Deferred tax assets (Note 20)	10,356	9,000	91,651
Prepaid expenses and other	77,550	76,740	686,291
Allowance for doubtful receivables (Note 22)	(9,594)	(7,707)	(84,911)
Total current assets	3,223,009	3,189,963	28,522,203
Property and equipment:			
Leased assets — at cost	2,026,970	1,893,046	17,937,794
Accumulated depreciation	(466,536)	(414,789)	(4,128,643)
Net leased assets	1,560,434	1,478,256	13,809,150
Advances for purchases of leased assets	11,131	3,049	98,509
Total leased assets (Notes 6, 8, and 11)	1,571,565	1,481,306	13,907,660
Other operating assets — at cost	8,398	8,398	74,324
Accumulated depreciation	(1,273)	(777)	(11,266)
Net other operating assets	7,125	7,621	63,058
Own used assets — at cost	15,212	15,448	134,623
Accumulated depreciation	(7,147)	(6,825)	(63,256)
Net own used assets	8,064	8,622	71,367
Total property and equipment	1,586,755	1,497,550	14,042,086
Investments and other assets:			
Investment securities (Notes 4, 11, and 22):			
Unconsolidated subsidiaries and associated companies	67,445	44,497	596,862
Other securities	91,108	128,559	806,273
Goodwill (Notes 9 and 10)	79,955	94,497	707,571
Long-term receivables (Note 22)	27,921	33,434	247,092
Asset for retirement benefits (Note 14)	257	834	2,277
Deferred tax assets (Note 20)	12,201	13,776	107,974
Other (Note 11)	48,901	46,697	432,760
Allowance for doubtful receivables (Note 22)	(16,302)	(14,134)	(144,271)
Total investments and other assets	311,489	348,162	2,756,541
Total assets	¥5,121,253	¥5,035,676	$45,320,831

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 13, 19, and 22)	**¥588,902**	¥796,298	**$5,211,528**
Commercial paper (Notes 13 and 22)	**853,600**	830,000	**7,553,982**
Current maturities of bonds (Notes 13 and 22)	**222,520**	127,500	**1,969,207**
Current maturities of long-term loans (Notes 11, 12, 13, 19, and 22)	**285,403**	253,403	**2,525,696**
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 11, 13, and 22)	**64,037**	60,738	**566,699**
Current maturities of lease obligations (Note 13)	**18,532**	16,958	**164,001**
Notes and accounts payable — trade (Note 22)	**93,618**	91,954	**828,486**
Income taxes payable	**7,223**	14,649	**63,922**
Deferred profit on installment sales (Note 22)	**21,609**	24,033	**191,236**
Other (Notes 13 and 20)	**159,854**	116,428	**1,414,641**
Total current liabilities	**2,315,302**	2,331,965	**20,489,401**
Long-term liabilities:			
Bonds, less current maturities (Notes 13 and 22)	**494,289**	561,274	**4,374,243**
Long-term loans from banks and other financial institutions, less current maturities (Notes 11, 12, 13, 19, and 22)	**1,295,149**	1,168,307	**11,461,504**
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 11, 13, and 22)	**104,832**	112,800	**927,723**
Lease obligations, less current maturities (Note 13)	**66,199**	54,374	**585,840**
Liability for retirement benefits (Note 14)	**6,223**	1,535	**55,079**
Asset retirement obligations	**14,506**	13,532	**128,378**
Deferred tax liabilities (Note 20)	**30,628**	23,836	**271,051**
Other (Notes 11 and 13)	**151,753**	146,705	**1,342,952**
Total long-term liabilities	**2,163,585**	2,082,366	**19,146,772**
Commitments and contingent liabilities (Notes 15 and 23)			
Equity (Notes 16 and 27)**:**			
Common stock — authorized, 3,200,000,000 shares in 2016 and 2015; issued, 895,834,160 shares in 2016 and 2015	**33,196**	33,196	**293,770**
Capital surplus	**167,237**	166,762	**1,479,981**
Stock acquisition rights (Note 17)	**1,129**	1,029	**9,998**
Retained earnings	**349,319**	308,882	**3,091,327**
Treasury stock — at cost, 6,581,437 shares in 2016 and 6,958,937 shares in 2015	**(2,302)**	(2,434)	**(20,376)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**17,632**	21,260	**156,044**
Deferred loss on derivatives under hedge accounting	**(7,426)**	(2,377)	**(65,718)**
Foreign currency translation adjustments	**63,070**	71,377	**558,142**
Defined retirement benefit plans	**(4,785)**	(1,148)	**(42,350)**
Total	**617,072**	596,548	**5,460,820**
Noncontrolling interests	**25,293**	24,795	**223,836**
Total equity	**642,366**	621,344	**5,684,656**
Total liabilities and equity	**¥5,121,253**	¥5,035,676	**$45,320,831**

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Revenues	**¥825,845**	¥742,452	**$7,308,365**
Costs (Note 19)	**659,846**	609,172	**5,839,352**
Gross profit	**165,998**	133,279	**1,469,013**
Selling, general, and administrative expenses (Note 18)	**77,726**	63,042	**687,842**
Operating income	**88,272**	70,237	**781,171**
Other income (expenses):			
Dividend income	**1,306**	1,008	**11,560**
Interest expense — net of interest income of ¥141 million ($1,251 thousand) in 2016 and ¥152 million in 2015 (Note 19)	**(3,645)**	(3,168)	**(32,261)**
Impairment loss (Note 10)	**(3,121)**		**(27,622)**
Other — net	**7,288**	8,367	**64,502**
Other income — net	**1,828**	6,208	**16,177**
Income before income taxes	**90,100**	76,445	**797,348**
Income taxes (Note 20)**:**			
Current	**22,123**	28,888	**195,784**
Deferred	**12,468**	1,285	**110,340**
Total income taxes	**34,592**	30,173	**306,124**
Net income	**55,508**	46,271	**491,224**
Net income attributable to noncontrolling interests	**876**	2,203	**7,759**
Net income attributable to owners of the parent	**¥54,631**	¥44,068	**$483,465**

	Yen		U.S. dollars
	2016	2015	**2016**
Amounts per share of common stock (Note 26)**:**			
Basic net income	**¥61.45**	¥49.58	**$0.54**
Diluted net income	**61.24**	49.42	**0.54**
Cash dividends applicable to the year	**12.30**	9.50	**0.10**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net income	**¥55,508**	¥46,271	**$491,224**
Other comprehensive income (Note 24)**:**			
Net unrealized (loss) gain on available-for-sale securities	**(3,738)**	8,303	**(33,086)**
Deferred loss on derivatives under hedge accounting	**(4,340)**	(3,242)	**(38,408)**
Foreign currency translation adjustments	**(7,770)**	32,206	**(68,764)**
Defined retirement benefit plans	**(3,538)**	1,096	**(31,310)**
Share of other comprehensive income in associates	**(763)**	54	**(6,759)**
Total other comprehensive income	**(20,151)**	38,418	**(178,329)**
Comprehensive income	**¥35,357**	¥84,690	**$312,894**
Total comprehensive income attributable to:			
Owners of the parent	**¥34,802**	¥82,032	**$307,987**
Noncontrolling interests	**554**	2,657	**4,907**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Thousands				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE APRIL 1, 2014 (as previously reported)	895,834	¥33,196	¥166,776	¥899	¥269,506
Cumulative effect of accounting change (Note 2.k.)					2,731
BALANCE, APRIL 1, 2014 (as restated)	895,834	33,196	166,776	899	272,237
Net income attributable to owners of the parent					44,068
Cash dividends					(7,776)
Disposal of treasury stock (157 thousands of shares)			(14)		
Adjustment of retained earnings for newly consolidated subsidiaries					47
Adjustment of retained earnings for newly associated companies accounted for by the equity method					306
Net change in the year				130	
BALANCE, MARCH 31, 2015 (APRIL 1, 2015, as previously reported)	**895,834**	**33,196**	**166,762**	**1,029**	**308,882**
Cumulative effect of accounting change (Note 2.b.)			**505**		**(4,731)**
BALANCE, APRIL 1, 2015 (as restated)	**895,834**	**33,196**	**167,268**	**1,029**	**304,150**
Net income attributable to owners of the parent					**54,631**
Cash dividends					**(9,423)**
Disposal of treasury stock (377 thousands of shares)			**(30)**		
Adjustment of retained earnings for newly associated companies accounted for by the equity method					**(39)**
Net change in the year				**99**	
BALANCE, MARCH 31, 2016	**895,834**	**¥33,196**	**¥167,237**	**¥1,129**	**¥349,319**

	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE APRIL 1 2015 (as previously reported)	**$293,770**	**$1,475,772**	**$9,114**	**$2,733,474**
Cumulative effect of accounting change (Note 2.b.)		**4,477**		**(41,875)**
BALANCE, APRIL 1, 2015 (as restated)	**293,770**	**1,480,249**	**9,114**	**2,691,598**
Net income attributable to owners of the parent				**483,465**
Cash dividends				**(83,390)**
Disposal of treasury stock (377 thousands of shares)		**(267)**		
Adjustment of retained earnings for newly associated companies accounted for by the equity method				**(346)**
Net change in the year			**884**	
BALANCE, MARCH 31, 2016	**$293,770**	**$1,479,981**	**$9,998**	**$3,091,327**

See notes to consolidated financial statements.

Millions of yen							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
¥(2,489)	¥12,978	¥910	¥33,173	¥(2,223)	¥512,726	¥21,524	¥534,250
					2,731		2,731
(2,489)	12,978	910	33,173	(2,223)	515,457	21,524	536,981
					44,068		44,068
					(7,776)		(7,776)
54					40		40
					47		47
					306		306
	8,281	(3,287)	38,203	1,075	44,404	3,271	47,676
(2,434)	**21,260**	**(2,377)**	**71,377**	**(1,148)**	**596,548**	**24,795**	**621,344**
			(791)		**(5,017)**		**(5,017)**
(2,434)	**21,260**	**(2,377)**	**70,585**	**(1,148)**	**591,530**	**24,795**	**616,326**
					54,631		**54,631**
					(9,423)		**(9,423)**
132					**101**		**101**
					(39)		**(39)**
	(3,627)	**(5,049)**	**(7,515)**	**(3,637)**	**(19,729)**	**497**	**(19,231)**
¥(2,302)	**¥17,632**	**¥(7,426)**	**¥63,070**	**¥(4,785)**	**¥617,072**	**¥25,293**	**¥642,366**

Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
$(21,545)	**$188,142**	**$(21,035)**	**$631,659**	**$(10,163)**	**$5,279,189**	**$219,430**	**$5,498,619**
			(7,006)		**(44,405)**		**(44,405)**
(21,545)	**188,142**	**(21,035)**	**624,652**	**(10,163)**	**5,234,783**	**219,430**	**5,454,214**
					483,465		**483,465**
					(83,390)		**(83,390)**
1,168					**901**		**901**
					(346)		**(346)**
	(32,098)	**(44,682)**	**(66,509)**	**(32,186)**	**(174,593)**	**4,406**	**(170,186)**
$(20,376)	**$156,044**	**$(65,718)**	**$558,142**	**$(42,350)**	**$5,460,820**	**$223,836**	**$5,684,656**

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Operating activities:			
Income before income taxes	**¥90,100**	¥76,445	**$797,348**
Adjustment for:			
Income taxes — paid	**(30,225)**	(26,159)	**(267,483)**
Depreciation and amortization	**123,317**	96,151	**1,091,301**
Amortization of negative goodwill	**(25)**	(25)	**(222)**
Provision (reversal) of allowance for doubtful receivables	**4,076**	(1,874)	**36,076**
Loss on disposals and sales of leased assets	**106,485**	36,676	**942,347**
Impairment loss	**3,121**		**27,622**
Changes in assets and liabilities:			
(Increase) decrease in receivables	**(1,636)**	59,844	**(14,480)**
Increase in lease receivables and investments in leases	**(35,009)**	(10,878)	**(309,821)**
Decrease in operating securities and investments in private equity securities	**23,771**	25,919	**210,367**
Increase (decrease) in trade payables	**1,748**	(40,686)	**15,472**
Increase in interest payable	**874**	640	**7,735**
Purchases of leased assets	**(306,498)**	(264,308)	**(2,712,379)**
Other — net	**(16,918)**	(8,043)	**(149,721)**
Total adjustments	**(126,920)**	(132,742)	**(1,123,186)**
Net cash used in operating activities	**(36,819)**	(56,296)	**(325,838)**
Investing activities:			
Purchases of own used assets	**(2,695)**	(2,536)	**(23,852)**
Purchases of investment securities	**(4,556)**	(423)	**(40,323)**
Proceeds from sales and redemption of investment securities	**1,194**	7,832	**10,571**
Payments for acquisition of newly consolidated subsidiaries		(37,111)	
Payments into time deposits	**(2,193)**	(2,462)	**(19,412)**
Proceeds from withdrawal of time deposits	**3,201**	2,018	**28,331**
Other — net	**(56)**	1,230	**(496)**
Net cash used in investing activities	**(5,105)**	(31,453)	**(45,183)**
Financing activities:			
Net decrease in short-term loans	**(203,761)**	(122,019)	**(1,803,196)**
Net increase in commercial paper	**23,600**	67,700	**208,849**
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	**118,076**	117,969	**1,044,920**
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	**(122,745)**	(108,843)	**(1,086,247)**
Proceeds from long-term loans	**498,715**	355,861	**4,413,415**
Repayments of long-term loans	**(303,115)**	(288,257)	**(2,682,438)**
Proceeds from issuance of bonds	**172,024**	227,024	**1,522,343**
Redemption of bonds	**(122,498)**	(176,470)	**(1,084,061)**
Cash dividends paid	**(9,423)**	(7,776)	**(83,390)**
Other — net	**(135)**	196	**(1,197)**
Net cash provided by financing activities	**50,736**	65,384	**448,997**
Foreign currency translation adjustments on cash and cash equivalents	**(512)**	4,422	**(4,538)**
Net increase (decrease) in cash and cash equivalents	**8,298**	(17,942)	**73,437**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries		175	
Cash and cash equivalents, beginning of year	**102,773**	120,540	**909,496**
Cash and cash equivalents, end of year	**¥111,071**	¥102,773	**$982,934**

See notes to consolidated financial statements.

Additional information

Acquisition of equity interests of Beacon Intermodal Leasing, LLC (BIL) (Note 3)
On November 13, 2014, the Company acquired all of the equity interests of BIL according to the equity purchase agreement executed on May 12, 2014.

Reconciliation of the net cash paid for the investment in BIL is as follows:

	Millions of yen
	2015
Current assets	¥12,786
Fixed assets	125,213
Goodwill	2,008
Current liabilities	(109,423)
Long-term liabilities	(20,093)
Foreign currency translation adjustments	(647)
Acquisition cost	9,844
Cash and cash equivalents	(1,201)
Net cash paid for acquisition of BIL	¥8,643

Acquisition of outstanding shares of Engine Lease Finance Corporation (ELF) (Note 3)
On November 13, 2014, the Company acquired all of the outstanding shares of ELF according to the equity purchase agreement executed on May 12, 2014.

Reconciliation of the net cash paid for investment in ELF is as follows:

	Millions of yen
	2015
Current assets	¥12,366
Fixed assets	156,622
Goodwill	4,041
Current liabilities	(121,184)
Long-term liabilities	(16,731)
Foreign currency translation adjustments	(2,329)
Acquisition cost	32,784
Cash and cash equivalents	(4,315)
Net cash paid for acquisition of ELF	¥28,468

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Years ended March 31, 2016 and 2015

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi UFJ Lease & Finance Company Limited (the "Company") and its consolidated subsidiaries (collectively, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113 to USD1, the approximate rate of exchange at March 31, 2016.

Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen and U.S. dollars figures less than a thousand dollars are rounded down to the nearest million yen and thousand dollars, except for per share data. As a result, totals in millions of yen and thousands of U.S. dollars may not add up exactly.

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its 249 (250 in 2015) significant subsidiaries.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in two (two in 2015) unconsolidated subsidiaries and 17 (10 in 2015) associated companies are accounted for by the equity method.

In September 2006, the Accounting Standards Board of Japan (ASBJ) issued Practical Issues Task Force No. 20, *Practical Solution Application of Control Criteria and Influence Criteria to Investment Associations*. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, silent partnerships, and other entities with similar characteristics. The Company applied this practical solution and consolidated four such collective investment vehicles in 2016 (four in 2015).

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is shown as "Goodwill" in "Investments and other assets." Goodwill is amortized using the straight-line method over a period of 15 or 20 years.

The excess of the fair value of the net assets of the acquired subsidiary over the cost of an acquisition ("negative goodwill") at the date of acquisition is recognized in the consolidated statements of income as a bargain purchase gain. Before the Company recognizes a bargain purchase gain as profit, the Company reassesses the completeness of identified assets and liabilities of the acquired company and appropriate allocation of acquisition cost to the assets and liabilities. The negative goodwill recognized before April 1, 2009, is systematically amortized using the straight-line method over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All the material unrealized profit included in assets resulting from transactions within the Companies is also eliminated.

The fiscal years of the subsidiaries are not necessarily the same as the Company's. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to reflect properly their financial positions at March 31 of each year and the results of operations for the years then ended. Certain subsidiaries have prepared provisional statements of accounts, prepared in the equivalent way as the year-end closing, as of March 31, 2016.

Koken Chemical Co., Ltd. ("Koken"), acquired by a consolidated subsidiary, which is a private equity firm of the Company was not consolidated though the Company held a majority of its voting rights for the years ended March 31, 2016 and 2015. The reason was the Company had not intended to control it as an owner, but to improve its business for investment purpose through the consolidated subsidiary.

b. Business Combinations — In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, *Accounting Standard for Business Combinations*. Major accounting changes under the revised accounting standard are as follows:
(1) The previous accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting when certain specific criteria were met such that the business combination was essentially regarded as a uniting of interests. The revised standard requires companies to account for such business combinations by the purchase method, and the pooling-of-interests method of accounting is no longer allowed.
(2) The previous accounting standard required that research and development costs be charged to income as incurred. Under the revised standard, in-process research and development costs acquired in a business combination are capitalized as an intangible asset.
(3) The previous accounting standard required that a bargain purchase gain (negative goodwill) be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

The revised standard was applicable to business combinations undertaken on or after April 1, 2009.

The Company acquired 100% of the net assets of Engine Lease Finance Corporation and Beacon Intermodal Leasing, LLC on November 13, 2014, and accounted for them by the purchase method of accounting. The related goodwill is systematically amortized over 20 years.

In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, *Accounting Standard for Business Combinations,* revised ASBJ Guidance No. 10, *Guidance on Accounting Standards for Business Combinations and Business Divestitures,* and revised ASBJ Statement No. 22, *Accounting Standard for Consolidated Financial Statements.* Major accounting changes are as follows:

(a) Transactions with noncontrolling interest
A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet
In the consolidated balance sheet, "minority interest" under the previous accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income
In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the

previous accounting standard is changed to “net income attributable to owners of the parent” under the revised accounting standard.

(d) Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015.

The Company applied the revised accounting standards and guidance for (a), (b), (c), and (e) above effective April 1, 2015, and for (d) above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) and (e) were applied prospectively for all applicable transactions which occurred in the past.
The cumulative effects from the retrospective application for (a) and (e) above at April 1, 2015, have been reflected within capital surplus and retained earnings at April 1, 2015.

As a result, goodwill, retained earnings and foreign currency translation adjustments at April 1, 2015, decreased by ¥5,088 million ($45,030 thousand), ¥4,731 million ($41,875 thousand), and ¥791 million ($7,006 thousand), respectively, and capital surplus increased by ¥505 million ($4,477 thousand). The effects of this change on operating income and income before income taxes for the year ended March 31, 2016, were immaterial.

The cumulative effects of this change except for goodwill were reflected to equity as of April 1, 2015, in the consolidated statements of changes in equity. In addition, the effects of this change on basic net income per share and diluted net income per share for the year ended March 31, 2016, were immaterial.

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

Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition. Time deposits in trust, restricted for payment of maintenance of leased assets and reserved to refund security deposits under lease contracts to lessees are not included in cash equivalents.

d. Lease Accounting — In March 2007, the ASBJ issued ASBJ Statement No. 13, *Accounting Standard for Lease Transactions*, which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessee — Finance leases that are deemed to transfer ownership of the leased property to the lessee are capitalized. However, under the previous accounting standard, other finance leases were permitted to be accounted for as operating lease transactions if certain “as-if capitalized” information was disclosed in the notes to the lessee’s consolidated financial statements. In principle, the revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets, but it permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008.

Lessor — Finance leases that are deemed to transfer ownership of the leased property to the lessee are to be treated as sales. However, under the previous accounting standard, other finance leases were permitted to be accounted for as operating lease transactions if certain “as-if sold” information was disclosed in the notes to the lessor’s consolidated financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as “lease receivables” and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as “investments in leases.”

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. The leased assets are initially recorded at their acquisition cost and depreciated over the term of the lease or estimated useful lives on a straight-line basis to the residual value that is the amount to be realized at the time when the lease contract is terminated.

e. Revenue Recognition

Finance Leases — The Companies recognize lease revenues and related costs over the lease term. Interest revenues on finance lease contracts are calculated by the interest method after April 1, 2008, and by the straight-line method prior to April 1, 2008, over the remaining lease period.

Operating Leases — The Companies recognize lease revenues on a straight-line basis over the lease term based on the minimum rentals on the lease contracts.

Installment Sales — The Companies record revenues and profits from installment sales at the due date of each receipt.

The Companies follow the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥180,999 million ($1,601,764 thousand) in 2016 and ¥176,769 million in 2015.

f. Marketable and Investment Securities — All securities are classified as available-for-sale securities. Available-for-sale securities are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities for which the fair value is not readily determinable are stated at cost determined by the moving-average method.

The Company reviews the fair value of its available-for-sale securities on a regular basis to determine if the fair value of any individual security has declined below its cost and if such decline is other than temporary. If the decline in value is judged to be other than temporary, the security is written down to fair value. The resulting realized loss is recorded as other – net in other income (expenses) included in the consolidated statements of income in the period in which the decline was deemed to be other than temporary.

Investments in limited partnerships, which are considered securities under Article 2, Clause 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest consolidated financial statements available on the reportable date ruled by the partnership contracts.

The Companies have operating securities to gain interest or dividend income. The amount of operating securities included in "Marketable Securities" and "Investment Securities" were ¥10,799 million ($95,571 thousand) and ¥56,960 million ($504,071 thousand), respectively, as of March 31, 2016, and ¥14,007 million and ¥78,772 million, respectively, as of March 31, 2015. In addition, the Companies record income from those securities as "Revenues" in the consolidated statements of income.

As mentioned in Note 2. a., the Companies also have investments in private equity (Koken). Investments in private equity, included in "Investment Securities," as of March 31, 2016 and 2015, were ¥2,498 million ($22,108 thousand) and ¥2,498 million, respectively. In addition, the Companies record income from selling those securities as "Revenues" in the consolidated statements of income.

g. Inventories — Inventories held for sale in the ordinary course of business are stated at the lower of cost, which is determined by the specific identification method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

h. Property and Equipment

Leased Assets — See Note 2.d.

Other Operating Assets — Property and equipment held for the Companies' operating use other than leased assets are stated at cost. Depreciation is computed based on the estimated useful lives of the assets under the straight-line method.

Own Used Assets — Property and equipment held for the Companies' own use are stated at cost. Depreciation is computed based on the estimated useful lives of the assets under the declining-balance method while the straight-line method is applied to assets held by consolidated foreign subsidiaries and buildings acquired after April 1, 1998, by the Company and its consolidated domestic subsidiaries.

The range of estimated useful lives of the assets is principally as follows:

Buildings: 3 to 47 years (3 to 47 years in 2015)

Furniture and equipment: 3 to 20 years (2 to 20 years in 2015)

i. Long-Lived Assets — The Company and its consolidated domestic subsidiaries review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows (DCFs) from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Allowance for Doubtful Receivables — The allowance for doubtful receivables is stated at the amount considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding. The amounts of long-term receivables considered uncollectible were directly written off from the accounts. The amounts directly written off were ¥14,712 million ($130,195 thousand) and ¥14,302 million at March 31, 2016 and 2015, respectively.

k. Retirement and Pension Plans

Employees' Retirement Benefits — The Company and certain consolidated subsidiaries have contract-type defined benefit corporate pension plans for employees or unfunded retirement benefit plans. The Company adopted contract-type defined benefit corporate pension plans based on Defined Benefit Corporate Pension Act, at February 1, 2011.

The liability for retirement benefits of the Company and a certain consolidated subsidiary is computed based on projected benefit obligations and plan assets at the consolidated balance sheet date, while the liability for retirement benefits of the other subsidiaries is provided at 100% of the amount that would be required if all employees had retired at the consolidated balance sheet date.

Assumptions were set forth as follows:

Method of attributing expected retirement benefit to periods	Benefit formula basis method
Amortization period of prior service cost	13 to 15 years
Recognition period of actuarial gain/loss	10 to 20 years

In May 2012, the ASBJ issued ASBJ Statement No. 26, *Accounting Standard for Retirement Benefits*, and ASBJ Guidance No. 25, *Guidance on Accounting Standard for Retirement Benefits*, which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Treatment in the consolidated balance sheets
Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the consolidated statement of income and the consolidated statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefits to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, decreased by ¥4,228 million, and retained earnings as of April 1, 2014, increased by ¥2,731 million and the effects on operating income and income before income taxes for the year ended March 31, 2015, were immaterial. In addition, the effects of this change on basic net income per share and diluted net income per share for the year ended March 31, 2015, were immaterial.

Retirement Allowances for Directors and Audit and Supervisory Board Members — Retirement allowances for directors and Audit and Supervisory Board members of certain consolidated domestic subsidiaries are recorded as a liability included in liability for retirement benefits in the consolidated balance sheets at the amount that would be required if all directors and Audit and Supervisory Board members retired at the consolidated balance sheet date.

l. Asset Retirement Obligations — In March 2008, the ASBJ published ASBJ Statement No. 18, *Accounting Standard for Asset Retirement Obligations*, and ASBJ Guidance No. 21, *Guidance on Accounting Standard for Asset Retirement Obligations*. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the DCFs required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Stock Options — ASBJ Statement No. 8, *Accounting Standard for Stock Options*, and related guidance are applicable to stock options granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for stock options based on the fair value at the date of grant and over the vesting period. In the consolidated balance sheets, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

n. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Translation of Foreign Currency Accounts

Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date or, for hedged transactions, the applicable exchange rates. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged.

However, assets and liabilities denominated in foreign currencies covered by currency swap agreements and foreign exchange forward contracts are translated into Japanese yen at the contract amounts.

Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the fiscal year. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

p. Derivative and Hedging Activities — The Companies enter into foreign exchange forward contracts and cross-currency interest rate swap contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts, interest rate cap contracts, and currency interest rate swaps to manage their interest rate risk and foreign currency exposures on certain assets and liabilities. The Company also utilizes foreign currency-denominated debt to manage its foreign currency exposures associated with the net investments in the foreign subsidiaries.

All derivative transactions are utilized to hedge interest and foreign currency exposures incorporated within the Companies' businesses. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of the hedged assets or liabilities. The Companies do not hold or issue derivatives for trading or speculative purposes. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies, which regulate the authorization and credit limit amounts. Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on the derivative transactions are recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

All derivative transactions, except for interest rate swaps and currency interest rate swaps which qualify for hedge accounting and meet specific matching criteria, are assessed for their hedging effectiveness to verify whether hedge instruments offset interest rate risk or foreign exchange risk of hedged items in application of hedge accounting.

Foreign exchange forward contracts, currency interest rate swap contracts, and foreign currency-denominated debt are utilized to hedge foreign exchange risk. Certain assets and liabilities denominated in foreign currencies are translated at the contracted rates if the contracts qualify for hedge accounting.

Interest rate swaps and currency interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value. Instead, the differential paid or received under the swap contracts is recognized and included in interest expense or income. Other interest rate swaps and currency interest rate swaps that qualify for hedge accounting are measured at fair value at the balance sheet date and the unrealized gains or losses are deferred until maturity in a separate component of equity.

q. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if the stock options were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding stock options.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

r. New Accounting Pronouncements

Tax Effect Accounting—On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit, and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. Business Combination

On November 13, 2014, the Company acquired all of the outstanding shares of Engine Lease Finance Corporation (ELF) (country of incorporation: Ireland) and all of the equity interests of Beacon Intermodal Leasing, LLC (BIL) (country of incorporation: USA) according to the equity purchase agreement executed on May 12, 2014. The consolidated financial statements for the year ended March 31, 2015, include their operating results for the period from November 13, 2014, to December 31, 2014. The excess of the acquisition cost over the fair value of the net assets of ELF and BIL was ¥4,041 million and ¥2,008 million, respectively, at November 13, 2014, which was recognized as goodwill in the accompanying consolidated balance sheets and is amortized using the straight-line method over a period of 20 years.

The Company demonstrates its flexibility and mobility as a nonbank to the maximum extent possible and provides financing in reliance on the business characteristics and potential value in assets, and engages in overall development of businesses, such as planning and management of business plans. With respect to one of its priority strategies, the business involving global assets, including aircraft, vessels, and containers, in which high marketability and value on assets can be found and recognized in global markets, in addition to the reinforcing of the aircraft leasing business through the acquisition of all of equity interests of JSA International holdings, L.P., with its U.S.-based aircraft leasing subsidiary Jackson Square Aviation, LLC, in January 2013, the Company commenced full-scale development of the auto leasing business with the cooperation of PT. Takari Sumber Mulia, a major Indonesian automobile rental company, in November 2013, thereby establishing an optimal business platform suited to assets characteristics and business models.

In furtherance of these efforts, the Company acquired all of the outstanding shares of ELF, a leading aircraft engine leasing company engaged in the aircraft engine leasing business and the management of aircraft engines held by other companies, and all of the equity interests in BIL, a company engaged in the container leasing business on a global scale to develop a system whereby the Company may establish itself globally as a main player in the business areas related to aircraft engines and containers by turning ELF and BIL into its group companies.

Acquisition of ELF

The details of the acquisition cost were as follows:

		Millions of yen
Consideration	Cash	¥31,772
Direct cost	Advisory costs and other expenses	1,012
Acquisition cost		¥32,784

A summary of the balance sheet at the acquisition date was as follows:

	Millions of yen
Current assets	¥12,366
Leased assets, investments, other assets, and property and equipment	156,622
Total	¥168,988
Current liabilities	¥121,184
Long-term liabilities	16,731
Total	¥137,916

The estimated impact on the consolidated statement of income for the year ended March 31, 2015, assuming the business combination was concluded on the beginning of the current fiscal year was as follows:

	Millions of yen
Total revenues	¥15,106
Operating income	3,477
Income before income taxes	3,574
Net income attributable to owners of the parent	2,272

	Yen
Basic net income per share	¥2.56

The above amounts were estimated as the difference between the amount of total revenue and income calculated with the assumption that the business combination was concluded at the beginning of the current fiscal year and the amount of total revenue and income recorded in the consolidated statement of income of the Company. Also, the difference includes amortization of goodwill for the period from the beginning of the current fiscal year to the effective date of the business combination and adjustments resulting from market valuation of leased assets. The estimated amounts of the impact of the combination have not been audited.

Acquisition of BIL

The details of the acquisition cost were as follows:

		Millions of yen
Consideration	Cash	¥8,832
Direct cost	Advisory costs and other expenses	1,012
Acquisition cost		¥9,844

A summary of the balance sheet at the acquisition date was as follows:

	Millions of yen
Current assets	¥12,786
Leased assets, investments, other assets, and property and equipment	125,213
Total	¥138,000
Current liabilities	¥109,423
Long-term liabilities	20,093
Total	¥129,516

The estimated impact on the consolidated statement of income for the year ended March 31, 2015, assuming the business combination was concluded on the beginning of the current fiscal year was as follows:

	Millions of yen
Total revenues	¥12,901
Operating income	488
Income before income taxes	488
Net income attributable to owners of the parent	284

	Yen
Basic net income per share	¥0.32

The above amounts were estimated as the difference between the amount of total revenue and income calculated with the assumption that the business combination was concluded at the beginning of the current fiscal year and the amount of total revenue and income recorded in the consolidated statement of income of the Company. Also, the difference includes amortization of goodwill for the period from the beginning of the current fiscal year to the effective date of the business combination and adjustments resulting from market valuation of leased assets. The estimated amounts of the impact of the combination have not been audited.

4. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Marketable securities	**¥12,296**	¥14,202	**$108,820**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**67,445**	44,497	**596,862**
Other securities	**91,108**	128,559	**806,273**
Total	**¥170,851**	¥187,259	**$1,511,956**

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Equity securities	**¥84,388**	¥84,136	**$746,804**
Debt securities	**6,193**	28,170	**54,809**
Trust fund investments and other	**80,268**	74,951	**710,342**
Total	**¥170,851**	¥187,259	**$1,511,956**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2016 and 2015, were as follows:

	Millions of yen			
March 31, 2016	Cost	Unrealized gains	Unrealized (losses)	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**¥19,495**	**¥23,883**	**¥(154)**	**¥43,224**
Debt securities	**6,170**	**23**		**6,193**
Trust fund investments and other	**7,807**			**7,807**
Total	**¥33,473**	**¥23,907**	**¥(154)**	**¥57,225**

	Millions of yen			
March 31, 2015	Cost	Unrealized gains	Unrealized (losses)	Fair value
Securities classified as:				
Available for sale:				
Equity securities	¥19,687	¥29,226	¥(119)	¥48,794
Debt securities	27,929	245	(4)	28,170
Trust fund investments and other	2,337			2,337
Total	¥49,954	¥29,471	¥(123)	¥79,303

	Thousands of U.S. dollars			
March 31, 2016	Cost	Unrealized gains	Unrealized (losses)	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**$172,524**	**$211,360**	**$(1,366)**	**$382,517**
Debt securities	**54,607**	**206**	**(4)**	**54,809**
Trust fund investments and other	**69,092**			**69,092**
Total	**$296,224**	**$211,567**	**$(1,371)**	**$506,419**

Marketable and investment securities whose fair value is not readily determinable as of March 31, 2016 and 2015, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Investments in unconsolidated subsidiaries and associated companies	¥65,791	¥42,153	$582,228
Available for sale:			
Equity securities	9,994	10,146	88,448
Trust beneficiary interests	1,177		10,422
Silent partnership and other	36,661	55,656	324,438
Total	¥113,625	¥107,956	$1,005,536

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Proceeds	¥848	¥1,398	$7,511
Realized gains	663	1,129	5,872
Realized (losses)	(82)	(16)	(730)

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Equity securities	¥32	¥47	$284
Trust fund investments and other		1,759	
Total	¥32	¥1,807	$284

5. Inventories

Inventories as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Merchandise	¥1,270	¥1,125	$11,247
Real estate for resale	1,580	177	13,989
Total	¥2,851	¥1,302	$25,237

6. Investment Property

The Companies own certain rental properties, such as office buildings, commercial facilities, and rental residential properties, in major cities throughout Japan. The net of rental income and operating expenses for those properties was ¥8,263 million ($73,132 thousand) and ¥8,694 million for the fiscal years ended March 31, 2016 and 2015, respectively.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2016 and 2015, were as follows:

Millions of yen			
2016			
Carrying amount (1)			Fair value (3)
Beginning of year	Net increase (2)	End of year	End of year
¥211,998	**¥18,192**	**¥230,191**	**¥246,788**

Millions of yen			
2015			
Carrying amount (1)			Fair value (3)
Beginning of year	Net increase (2)	End of year	End of year
¥206,030	¥5,968	¥211,998	¥220,496

Thousands of U.S. dollars			
2016			
Carrying amount (1)			Fair value (3)
Beginning of year	Net increase (2)	End of year	End of year
$1,876,094	**$160,994**	**$2,037,088**	**$2,183,972**

Notes:

(1) Carrying amounts recognized in the consolidated balance sheets are net of accumulated depreciation and accumulated impairment losses, if any.

(2) Increases during the fiscal years ended March 31, 2016 and 2015, were primarily attributable to ¥26,868 million ($237,776 thousand) and ¥17,692 million, respectively, from the acquisition of real estate.

(3) For fair value disclosure related to major properties, the Company obtains fair value using third-party real estate appraisers or by the DCF method. When changes in facts or circumstances indicate that there is no significant change in indices from the latest appraisal, the Companies use the fair value of these properties based on such appraisal. For fair value disclosure on other properties, the Company obtains fair value using the DCF rationally calculated by the Companies, amounts calculated by using market price indices, or appropriate book value for certain depreciable assets or properties newly acquired in this fiscal year.

7. Lease Receivables and Investments in Leases

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2016, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2016**	**2016**
2017	**¥118,943**	**$1,052,600**
2018	**94,365**	**835,095**
2019	**68,685**	**607,837**
2020	**46,740**	**413,632**
2021	**33,350**	**295,140**
Thereafter	**62,398**	**552,201**
Total	**¥424,485**	**$3,756,508**

Investments in leases as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gross investments in leases	¥1,305,359	¥1,290,758	$11,551,857
Residual values	44,570	44,774	394,430
Unearned interest income	(254,428)	(256,016)	(2,251,576)
Total	¥1,095,502	¥1,079,516	$9,694,711

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2016, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	2016	2016
2017	¥331,619	$2,934,686
2018	272,427	2,410,860
2019	217,120	1,921,420
2020	154,682	1,368,869
2021	99,186	877,756
Thereafter	230,323	2,038,264
Total	¥1,305,359	$11,551,857

As discussed in Note 2.d., the Company and its consolidated domestic subsidiaries applied the revised accounting standard for leases effective April 1, 2008. Due to this change, interest on finance lease contracts that do not transfer ownership of the leased property to the lessee and existed on the transition date was recorded using the straight-line method. Interest was ¥1,888 million larger for the year ended March 31, 2015, than would be recorded using the interest method from the beginning of the transition date. The effect on interest for the year ended March 31, 2016, was immaterial.

The consolidated balance sheet amounts of sublease contracts, including those that aim to disperse credit risks, including interest as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Lease receivables	¥22,639	¥23,509	$200,351
Investments in leases	59,839	46,003	529,554
Lease obligations	84,669	71,248	749,285

8. Leased Assets

The minimum future rentals on lease contracts as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	¥158,898	¥158,114	$1,406,183
Due after one year	713,312	712,050	6,312,501
Total	¥872,211	¥870,164	$7,718,684

9. Goodwill

Goodwill as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Goodwill in connection with acquisition	**¥23,291**	¥25,627	**$206,120**
Consolidation goodwill	**56,663**	68,869	**501,451**
Total	**¥79,955**	¥94,497	**$707,571**

Goodwill in connection with acquisition is related to the merger of the Company with UFJ Central Leasing Co., Ltd., effective April 1, 2007. Consolidation goodwill is related to the acquisition of the consolidated subsidiaries.

10. Long-Lived Assets

The Companies reviewed its long-lived assets for impairment as of March 31, 2016 and 2015. As a result, the Companies recognized impairment losses of ¥3,121 million ($27,622 thousand) on the following long-lived assets for the year ended March 31, 2016.

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
PT. Takari Kokoh Sejahtera Jakarta, Indonesia	-	Goodwill	**¥3,121**	**$27,622**
Total			**¥3,121**	**$27,622**

No impairment loss was recognized in 2015.

The Companies categorize goodwill into groups based on each consolidated subsidiary. Due to the decline in vehicle sales and market price of used car price in Indonesia, revenue forecasted in the business plan at the time of the acquisition of shares in the above subsidiary became no longer expected. As a result, the carrying amount of the goodwill was reduced to the recoverable amount and the reduction was recorded as an impairment loss in other income (expenses). The recoverable amount of the goodwill is measured at the value in use determined by future cash flows discounted at 8.9%.

11. Pledged Assets

As of March 31, 2016, the following assets were pledged as collateral for long-term debt, other current liabilities, and other long-term liabilities:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Cash, cash equivalents, and time deposits	**¥4,366**	**$38,641**
Receivables — loans	**117,013**	**1,035,514**
Lease receivables and investments in leases	**39,435**	**348,984**
Leased assets	**312,972**	**2,769,669**
Investment securities	**9,347**	**82,720**
Investments and other assets — other	**213**	**1,893**
Future rentals on operating lease contracts	**5,451**	**48,247**
Total	**¥488,800**	**$4,325,671**

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Long-term loans from banks and other financial institutions	**¥181,110**	**$1,602,747**
Loans from the securitizations of the minimum future rentals on lease contracts	**128,947**	**1,141,123**
Other long-term liabilities	**1,710**	**15,133**
Total	**¥311,767**	**$2,759,004**

12. Nonrecourse Loans

Nonrecourse loans as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Current maturities of nonrecourse long-term loans	**¥604**	¥588	**$5,351**
Nonrecourse long-term loans, less current maturities	**8,586**	8,991	**75,983**
Total	**¥9,190**	¥9,579	**$81,334**

Pledged assets for nonrecourse loans as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Receivables — loans	**¥10,835**	¥11,188	**$95,890**

13. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Short-term loans from banks and other financial institutions:			
0.44%	**¥588,902**		**$5,211,528**
0.52%		¥796,298	
Commercial paper:			
0.04%	**¥853,600**		**$7,553,982**
0.11%		¥830,000	
Bonds:			
Bonds without collateral:			
Due 2016-2024, 0.172% - 0.796%	**¥325,000**		**$2,876,106**
Due 2015-2024, 0.172% - 0.796%		¥355,000	
U.S. dollar bond without collateral:			
Due 2018, 2.000%	**56,252**	59,943	**497,812**
U.S. dollar bonds issued under the MTN program:			
Due 2016-2020, 1.394% - 2.750%	**258,976**		**2,291,829**
Due 2016-2020, 1.032% - 2.500%		216,037	
Euroyen bonds issued under the MTN program:			
Due 2016-2017, 0.030% - 0.120%	**55,000**		**486,725**
Due 2015-2016, 0.113% - 0.636%		37,500	
Chinese yuan bond issued under the MTN program:			
Due 2017, 3.280%	**8,695**	9,680	**76,946**
Bond without collateral issued by Hirogin Lease Co., Ltd.:			
Due 2019, 0.500%	**5,000**		**44,247**
Due 2016, 0.250%		5,000	
U.S. dollar bond without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2018, 0.633%	**1,937**		**17,145**
Due 2018, 0.285%		1,944	
Thai baht bond without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2016, 3.670%	**3,340**	3,670	**29,557**
Indonesia rupiah bonds without collateral issued by PT. Mitsubishi UFJ Lease & Finance Indonesia:			
Due 2016-2018, 9.250%-10.250%	**2,608**		**23,080**
Total	**¥716,809**	¥688,774	**$6,343,450**

Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 0.88%	**¥284,799**		**$2,520,345**
Due 2017-2032, 1.20%	**1,286,563**		**11,385,520**
Due within one year, 1.28%		¥252,815	
Due 2016-2032, 1.26%		1,159,316	
Total	**¥1,571,362**	¥1,412,131	**$13,905,866**
Nonrecourse loans:			
Due within one year, 0.72%	**¥604**		**$5,351**
Due 2017-2021, 0.72%	**8,586**		**75,983**
Due within one year, 0.54%		¥588	
Due 2016-2021, 0.54%		8,991	
Total	**¥9,190**	¥9,579	**$81,334**
Lease obligations, including fixed interests:			
Due within one year	**¥18,532**		**$164,001**
Due 2017-2031	**66,199**		**585,840**
Due within one year		¥16,958	
Due 2016-2030		54,374	
Total	**¥84,732**	¥71,332	**$749,841**
Loans from the securitizations of the minimum future rentals on lease contracts:			
Due within one year, 0.26%	**¥64,037**		**$566,699**
Due 2017-2029, 0.56%	**104,832**		**927,723**
Due within one year, 0.41%		¥60,738	
Due 2016-2025, 0.60%		112,800	
Total	**¥168,869**	¥173,539	**$1,494,422**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥2,746**		**$24,308**
Due 2017-2018	**15,065**		**133,323**
Due within one year		¥1,531	
Due 2016-2018		17,883	
Total	**¥17,812**	¥19,414	**$157,632**

The interest rates of loans from banks and other financial institutions, commercial paper, and loans from the securitizations of the minimum future rentals on lease contracts represent weighted-average rates on outstanding balances at March 31, 2016 and 2015.

Substantially all of the Company's short-term bank loans are made under agreements, as is customary in Japan, which provide that, at the request of such banks, the Company will provide additional collateral or guarantors with respect to the loan. As of March 31, 2016, the Company has not received any such request.

Annual maturities of long-term debt as of March 31, 2016, for the next five years were as follows:

	Millions of yen				
March 31, 2016	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Short-term loans from banks and other financial institutions ...	**¥588,902**				
Commercial paper	**853,600**				
Bonds	**222,520**	**¥118,252**	**¥62,178**	**¥162,537**	**¥111,321**
Long-term loans from banks and other financial institutions ...	**284,799**	**219,756**	**237,823**	**144,516**	**168,229**
Nonrecourse loans	**604**	**608**	**611**	**615**	**618**
Lease obligations	**18,532**	**16,460**	**13,836**	**11,189**	**8,412**
Loans from the securitizations of the minimum future rentals on lease contracts and other......	**66,783**	**37,530**	**29,145**	**14,008**	**7,871**
Total	**¥2,035,742**	**¥392,607**	**¥343,595**	**¥332,866**	**¥296,452**

	Thousands of U.S. dollars				
March 31, 2016	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Short-term loans from banks and other financial institutions ...	**$5,211,528**				
Commercial paper	**7,553,982**				
Bonds	**1,969,207**	**$1,046,484**	**$550,252**	**$1,438,381**	**$985,141**
Long-term loans from banks and other financial institutions ...	**2,520,345**	**1,944,744**	**2,104,636**	**1,278,906**	**1,488,755**
Nonrecourse loans	**5,351**	**5,383**	**5,414**	**5,446**	**5,474**
Lease obligations	**164,001**	**145,664**	**122,442**	**99,025**	**74,445**
Loans from the securitizations of the minimum future rentals on lease contracts and other......	**591,007**	**332,124**	**257,921**	**123,964**	**69,657**
Total	**$18,015,423**	**$3,474,401**	**$3,040,668**	**$2,945,725**	**$2,623,475**

The Company and certain consolidated domestic subsidiaries had loan commitment agreements as of March 31, 2016 and 2015, amounting to ¥435,273 million ($3,851,973 thousand) and ¥443,996 million, respectively, of which ¥433,045 million ($3,832,263 thousand) and ¥411,217 million, respectively, were unused.

14. Retirement and Pension Plans

The Company and certain consolidated domestic subsidiaries have contract-type defined benefit corporate pension plans for employees or unfunded retirement benefit plans. The Company adopted contract-type defined benefit corporate pension plans based on Defined Benefit Corporate Pension Act, at February 1, 2011.

Under most circumstances, employees terminating their employment are entitled to retirement benefits that are determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from its domestic subsidiaries and annuity payments from a trustee. If the termination is involuntary, such as when caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to a larger payment than in the case of a voluntary termination.

The liabilities for retirement benefits for directors and Audit and Supervisory Board members of the consolidated domestic subsidiaries at March 31, 2016 and 2015, were ¥153 million ($1,361 thousand) and ¥152 million, respectively. The retirement benefits for directors and Audit and Supervisory Board members are paid subject to the approval of the shareholders.

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥18,901	¥21,971	$167,270
Cumulative effect of accounting change		(4,228)	
Balance at beginning of year (as restated)	18,901	17,743	167,270
Current service cost	1,432	1,245	12,680
Interest cost	286	269	2,533
Actuarial losses	4,977	16	44,046
Benefits paid	(661)	(372)	(5,858)
Balance at end of year	¥24,936	¥18,901	$220,673

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥18,352	¥15,676	$162,414
Expected return on plan assets	299	255	2,651
Actuarial (losses) gains	(441)	1,328	(3,903)
Contributions from the employer	1,220	1,320	10,804
Benefits paid	(309)	(227)	(2,734)
Balance at end of year	¥19,123	¥18,352	$169,232

(3) Reconciliation between the liability recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded defined benefit obligation	¥23,975	¥18,007	$212,171
Plan assets	(19,123)	(18,352)	(169,232)
	4,852	(345)	42,939
Unfunded defined benefit obligation	960	894	8,501
Net liability arising from defined benefit obligation	¥5,812	¥548	$51,440
Liability for retirement benefits	¥6,070	¥1,382	$53,718
Asset for retirement benefits	(257)	(834)	(2,277)
Net liability arising from defined benefit obligation	¥5,812	¥548	$51,440

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥1,432**	¥1,245	**$12,680**
Interest cost	**286**	269	**2,533**
Expected return on plan assets	**(299)**	(255)	**(2,651)**
Recognized actuarial losses	**283**	397	**2,511**
Amortization of prior service cost	**72**	72	**645**
Others	**6**	8	**55**
Net periodic benefit costs	**¥1,782**	¥1,738	**$15,774**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Prior service cost	**¥72**	¥72	**$645**
Actuarial (losses) gains	**(5,134)**	1,710	**(45,437)**
Total	**¥(5,061)**	¥1,783	**$(44,792)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥(37)**	¥35	**$(327)**
Unrecognized actuarial losses	**6,647**	1,512	**58,824**
Total	**¥6,610**	¥1,548	**$58,496**

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2016	2015
General account	**42%**	40%
Debt investments	**30**	25
Equity investments	**26**	33
Others	**2**	2
Total	**100%**	100%

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	**0.51 to 0.56%**	0.51 to 1.79%
Expected rate of return on plan assets	**1.5 to 1.7**	1.5 to 1.7

Other than the above, an expected rate of salary increase is used for the assumption. The Company and certain consolidated domestic subsidiaries have adopted a point system. Salaries as the base for benefits consist of points by function and points by service. Salary increase index by age is used for points by function.

15. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2016, totaling ¥126,191million ($1,116,735 thousand), where the used portion is ¥8,073million ($71,445 thousand), and the unused portion is ¥118,117 million ($1,045,290 thousand). This amount includes unused portions of the facilities of ¥103,706 million ($917,755 thousand), which will not necessarily be utilized in full because these facilities are subject to periodic reviews of the borrower's purpose for the loan, credit standing, etc.

The Companies are contingently liable as of March 31, 2016, as guarantor or co-guarantor for borrowings and others of ¥5,601million ($49,570 thousand) for their unconsolidated subsidiaries and others.

The Companies have entered into various interest rate swaps, interest rate cap contracts, cross-currency interest rate swaps, and foreign exchange forward contracts in the ordinary course of business (see Note 23).

16. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. In addition, for companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

Moreover, the additional dividend restriction based upon the consolidated retained earnings is applicable to the Company.

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

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

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On April 1, 2013, the Company completed a ten-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on December 20, 2012.

17. Stock Based Compensation

The Company has a stock option plan for certain directors and executive officers. Under the plan, the right to purchase the common shares of the Company is granted at an exercise price of ¥1 per share. The contractual term of the stock options is 30 years. The stock option holders may exercise their stock acquisition rights during the five-year period starting the day one year after leaving their position as either director, Audit and Supervisory Board member, or executive officer of the Company.

The stock options outstanding as of March 31, 2016, were as follows:

	2010 stock option	2011 stock option	2012 stock option
Persons granted	9 directors 17 executive officers	9 directors 17 executive officers	10 directors 17 executive officers
Number of options granted*	684,400	651,600	721,700
Date of grant	October 15, 2009	October 15, 2010	October 14, 2011
The fair value of options granted under the plan at the grant dates*	¥264.3 ($2.33)	¥250.1 ($2.21)	¥283.1 ($2.50)

	2013 stock option	2014 stock option	2015 stock option
Persons granted	10 directors 17 executive officers	10 directors 19 executive officers	10 directors 18 executive officers
Number of options granted*	583,100	419,000	350,300
Date of grant	October 15, 2012	October 15, 2013	October 15, 2014
The fair value of options granted under the plan at the grant dates*	¥312.8 ($2.76)	¥502 ($4.44)	¥490 ($4.33)

	2016 stock option
Persons granted	**9 directors 20 executive officers**
Number of options granted*	**368,800**
Date of grant	**October 15, 2015**
The fair value of options granted under the plan at the grant dates*	**¥546 ($4.83)**

The total stock-based compensation costs recognized for the years ended March 31, 2016 and 2015, were ¥201 million ($1,781 thousand) and ¥171 million, respectively.

The fair value of 2016 stock option is estimated using the Black-Scholes option-pricing model with the assumptions noted as follows in the table:

	2016 stock option
Volatility of stock price	**29.78%**
Estimated remaining outstanding period	**4.1 years**
Estimated dividend	**1.62%**
Risk-free interest rate	**0.03%**

The volatility of the stock price is based on the historical volatility of the Company's stock for the period equal to the option's estimated remaining outstanding period from the grant date. The estimated remaining outstanding period is based on the average term period and the average age as of retirement. The estimated dividend is based on the per share dividends of ¥9.5 ($0.08) made in the preceding year for the year ended March 31, 2016. The risk-free interest rate is based on the yield of government bonds having a remaining life equal to the option's estimated remaining outstanding period.

The stock option activity for the fiscal years ended March 31, 2016 and 2015, was as follows:

	2010 stock option	2011 stock option	2012 stock option	2013 stock option
	Number of shares*			
For the year ended March 31, 2015				
Outstanding at beginning of fiscal year	542,900	633,800	721,700	583,100
Granted				
Canceled or expired				
Exercised	98,800	58,400		
Outstanding at end of fiscal year	444,100	575,400	721,700	583,100
Vested at end of fiscal year	444,100	575,400	721,700	583,100
For the year ended March 31, 2016				
Outstanding at beginning of fiscal year	**444,100**	**575,400**	**721,700**	**583,100**
Granted				
Canceled or expired				
Exercised	**144,100**	**105,500**	**101,800**	**26,100**
Outstanding at end of fiscal year	**300,000**	**469,900**	**619,900**	**557,000**
Vested at end of fiscal year	**300,000**	**469,900**	**619,900**	**557,000**

	2014 stock option	2015 stock option	**2016 stock option**
	Number of shares*		
For the year ended March 31, 2015			
Outstanding at beginning of fiscal year	419,000		
Granted		350,300	
Canceled or expired			
Exercised			
Outstanding at end of fiscal year	419,000	350,300	
Vested at end of fiscal year	419,000	350,300	
For the year ended March 31, 2016			
Outstanding at beginning of fiscal year	**419,000**	**350,300**	
Granted			**368,800**
Canceled or expired			
Exercised			
Outstanding at end of fiscal year	**419,000**	**350,300**	**368,800**
Vested at end of fiscal year	**419,000**	**350,300**	**368,800**

* On April 1, 2013, the Company split each share of its common stock, which was held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. Number of

options, the fair value of options, and per share dividends have been retrospectively adjusted to reflect the stock split for all periods presented.

18. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Provision for doubtful receivables	**¥10,603**	¥2,021	**$93,834**
Employees' salaries, bonuses, and allowances	**18,775**	16,783	**166,156**
Other	**48,347**	44,236	**427,851**
Total	**¥77,726**	¥63,042	**$687,842**

19. Related-Party Transactions

The transactions with subsidiaries of the company, which has significant influence over the Company for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Interest expense*1	**¥5,785**	¥3,417	**$51,195**

*1 Interest expense recorded in costs and other income (expenses).

Other than the above, MUL Asset Finance Corporation, a subsidiary of the Company, acquired shares of ELF and equity interests in BIL at $377,259 thousand for the year ended March 31, 2015.

Amounts due from and to subsidiaries of the company, which has significant influence over the Company as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Short-term loans	**¥113,000**	¥238,936	**$1,000,000**
Long-term loans, including current maturities	**259,900**	183,157	**2,300,004**

20. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Tax loss carryforwards	**¥25,562**	¥23,443	**$226,214**
Allowance for doubtful receivables	**8,383**	9,882	**74,188**
Accrued expenses	**6,217**	6,285	**55,023**
Investment securities	**5,706**	5,916	**50,500**
Advances received — leases	**5,311**	3,784	**47,007**
Other	**19,901**	19,512	**176,120**
Total deferred tax assets	**71,083**	68,825	**629,053**
Less valuation allowance	**(6,505)**	(6,971)	**(57,571)**
Less deferred tax liabilities	**(42,019)**	(39,076)	**(371,857)**
Net deferred tax assets	**¥22,557**	¥22,777	**$199,625**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	**¥46,359**	¥32,251	**$410,260**
Difference in assets and liabilities of newly consolidated subsidiaries between fair value and tax basis	**11,521**	13,963	**101,957**
Net unrealized gain on available-for-sale securities	**7,563**	9,963	**66,930**
Deferred revenues from certain finance lease transactions	**6,127**	6,177	**54,224**
Other	**4,784**	4,787	**42,337**
Total deferred tax liabilities	**76,355**	67,142	**675,709**
Less deferred tax assets	**(42,019)**	(39,076)	**(371,857)**
Net deferred tax liabilities	**¥34,335**	¥28,065	**$303,852**

Certain subsidiaries of the Company have tax loss carryforwards as above and those will mainly begin to expire in 2030.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2016, with the corresponding figures for 2015 is as follows:

	2016	2015
Normal effective statutory tax rate	**33.1%**	35.6%
Amortization of goodwill	**2.2**	2.6
Impairment loss	**1.1**	
Other — net	**2.0**	1.3
Actual effective tax rate	**38.4%**	39.5%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal years beginning on or after April 1, 2016 and 2017, to approximately 30.9% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.6%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥576 million ($5,104 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥420 million ($3,722 thousand), deferred gain on derivatives under hedge accounting by ¥1 million ($12 thousand), and decrease defined retirement benefit plans by ¥114 million ($1,008 thousand), in the consolidated balance sheet as of March 31, 2016, and to increase income taxes — deferred in the consolidated statement of income for the year then ended by ¥884 million ($7,830 thousand).

21. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥2,234**	¥1,968	**$19,777**
Due after one year	**2,645**	2,817	**23,410**
Total	**¥4,880**	¥4,785	**$43,187**

22. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Companies mainly conduct business of lease transactions, installment sales, and financial transactions.

In order to finance these businesses, the Companies utilize indirect financing, primarily bank loans, as well as direct financing, issuance of bonds, commercial paper, and securitization receivables.

So as to properly manage the interest rate risk that arises from the mismatch of interest conditions and that of duration between invested assets and financing liabilities, the Companies utilize asset liability management (ALM).

Derivatives are used, not for speculative and trading purposes, but to hedge interest and foreign currency exposures as described in Note 23.

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

Major financial assets the Companies have are receivables relating to leases, installment sales, and loans, which are exposed to customer credit risk.

Marketable and investment securities, mainly composed of equity securities, debt securities, and others, which are held for maintaining business relationships with customers and investment income purposes, are exposed to issuer credit risk, interest rate risk, and market price fluctuation risk.

The Companies are exposed to liquidity risk, namely the risk that, under certain conditions, they may not be able to procure the funds needed from the market to meet payment obligations for loans, bonds, commercial paper, and so on, on their maturity dates. The Companies are also exposed to interest rate fluctuation risk on floating interest rate liabilities.

The Companies mainly conduct business of lease transactions, installment sales, and financial transactions. Some receivables relating to leases, installment sales, and loans are with fixed interest rates. However, the Companies use some floating interest rate financing instruments, which expose them to interest rate risk.

In order to comprehensively manage these interest rate risks, or to secure stable earnings by fixing a profit margin for individual business projects, the Companies utilize interest rate-related derivative transactions.

In order to manage foreign exchange risk for individual foreign currency-denominated assets and liabilities, the Companies also utilize currency-related derivative transactions and foreign currency-denominated debt.

Please see Note 23 for more details about derivatives.

(3) Risk management for financial instruments

(a) Credit risk management

The Companies manage the credit risk of individual customers based on their overall strategy, financial position, credit rating portfolio characteristics, and other factors in accordance with the internal credit management rules. This credit management process is conducted by the business departments and the credit department, with regular reporting to the Risk Management Committee, the Management Committee, and the Board of Directors. In addition, the Internal Audit department monitors and audits credit administration and management status.

(b) Market risk management (foreign exchange risk and interest rate fluctuation risk)

The Companies manage exposure to interest rate fluctuation risk, foreign exchange risk, and price fluctuation risk according to internal rules for market risk management.

(i) Interest rate fluctuation risk management

In order to properly manage interest rate fluctuation risk, the Companies not only constantly monitor interest rate movements, but also monitor any mismatches of interest conditions and that of duration between invested assets and financing liabilities. With respect to interest rate fluctuation risk, the Company convenes the ALM Committee quarterly, attended by officers and the managers of related departments, to review market conditions, and asset/liability portfolio analysis. The ALM Committee deliberates and decides on policies with regard to current risk management and new financing. In addition, the Company reports quarterly to the Risk Management Committee.

(ii) Foreign exchange risk management

The Companies reduce foreign exchange risk of foreign currency-denominated assets individually by financing commensurate foreign currency-denominated debt and by using foreign currency-related derivative transactions. Regular reports regarding foreign exchange risk status are made to the executive officer in charge and to the ALM Committee and the Risk Management Committee.

(iii) Price fluctuation risk management

Price fluctuation risk for marketable and investment securities is reported to the officer in charge on a regular basis, and marketable and investment securities with quoted market prices in particular are reported to the ALM Committee and the Risk Management Committee. Most equity securities held by the Companies are for the purpose of maintaining business relationships with customers, and the Companies perform an annual review on whether to maintain these shares by monitoring the financial condition of the issuers (customers) and transaction status with customers.

(iv) Derivative transactions

The financial department utilizes derivative transactions in accordance with internal rules. Interest rate fluctuation risk is managed comprehensively through ALM with interest rate fluctuation risk of assets and liabilities in the consolidated balance sheets. Foreign currency fluctuation risk is managed on an individual project basis. The status of these derivative transactions is reported to the Management Committee every quarter. Credit risk due to nonfulfillment of contracts by counterparties is managed by setting individual credit limits according to the financing credit rating of the customer.

(v) Quantitative information of market risk

The Companies have financial instruments exposed to market risk, which are composed mainly of installment sales receivables, lease receivables, and investments in leases, loans, marketable and investment securities, short-term borrowings, and long-term debt. To measure market risks, the Companies use the Value at Risk (VaR) method, which estimates changes in the market value of portfolios within a certain period by statistically analyzing past market data. In calculating the VaR, the Companies adopt a historical simulation model (holding period, one year; confidence interval, 99%; and observation period, five years). The aggregate VaR at March 31, 2016 and 2015, was ¥10,853 million ($96,044 thousand) and ¥12,011 million, respectively. The Companies measure and manage market risks, including the risks of the future rentals on and residual values of operating lease transactions since they are also exposed to market risks similar to lease receivables and investments in leases (which are related to finance lease transactions).

The Companies have adopted a historical simulation model, which calculates a VaR as a statistically possible amount of losses in a fixed confidence interval based on historical market volatility. However, this model is not designed to capture certain abnormal market fluctuations.

(c) Liquidity risk management on financing

The Companies monitor their cash management status as a whole and control the duration mixture of financing. Through maintaining commitment lines with multiple financial institutions and diversification of financing methods, the Companies endeavor to secure liquidity. Liquidity risk management related to financing is conducted based on the Companies' internal liquidity risk management rule monitoring the probability of realization of the risk under the current financing environment and monthly reports on liquidity risk status to the executive officer in charge. The executive officer in charge decides the stage of liquidity risk and reports the decision to the ALM Committee and the Risk Management Committee. The Company has also prepared a contingency plan for each stage of liquidity risk and has been prepared for appropriate action addressing any such contingency.

(4) Supplementary information on fair value of financial instruments

Quoted market prices, when available, are used to estimate fair values of financial instruments. However, when quoted market prices are not available for financial instruments, fair values for such financial instruments are estimated using DCF models or other valuation techniques. Considerable judgment is required in determining methodologies and assumptions used in estimating fair values of financial instruments: therefore, the effect of using different methodologies and assumptions may be material to the estimated fair value amounts.

Regarding the fair value of financial instruments other than derivatives as of March 31, 2016 and 2015, see Note 23 for fair value information for derivatives.

	Millions of yen		
March 31, 2016	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	**¥111,071**	**¥111,071**	
Time deposits other than cash equivalents	**8,750**	**8,750**	
Receivables:			
Installment sales	**267,492**		
Deferred profit on installment sales	**(21,609)**		
Allowance for doubtful receivables	**(589)**		
Sub-total	**245,292**	**262,653**	**¥17,361**
Receivables:			
Loans	**1,241,831**		
Allowance for doubtful receivables	**(6,119)**		
Sub-total	**1,235,712**	**1,284,583**	**48,871**
Lease receivables and investments in leases	**1,480,378**		
Residual values of investments in leases	**(44,570)**		
Allowance for doubtful receivables	**(2,347)**		
Sub-total	**1,433,460**	**1,516,887**	**83,427**
Marketable and investment securities	**57,225**	**57,225**	
Long-term receivables	**27,921**		
Allowance for doubtful receivables	**(16,233)**		
Sub-total	**11,687**	**11,687**	
Total	**¥3,103,200**	**¥3,252,860**	**¥149,659**

Short-term loans from banks and other financial institutions	**¥588,902**	**¥588,902**	
Commercial paper	**853,600**	**853,600**	
Notes and accounts payable — trade	**93,618**	**93,618**	
Bonds	**716,809**	**720,423**	**¥3,613**
Loans from the securitizations of the minimum future rentals on lease contracts	**168,869**	**170,216**	**1,346**
Long-term loans from banks and other financial institutions	**1,580,553**	**1,586,601**	**6,047**
Total	**¥4,002,355**	**¥4,013,363**	**¥11,008**

March 31, 2015	Millions of yen Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥102,773	¥102,773	
Time deposits other than cash equivalents	10,135	10,135	
Receivables:			
Installment sales	258,057		
Deferred profit on installment sales	(24,033)		
Allowance for doubtful receivables	(510)		
Sub-total	233,513	249,469	¥15,955
Receivables:			
Loans	1,257,593		
Allowance for doubtful receivables	(4,128)		
Sub-total	1,253,464	1,294,099	40,634
Lease receivables and investments in leases	1,447,615		
Residual values of investments in leases	(44,774)		
Allowance for doubtful receivables	(2,648)		
Sub-total	1,400,192	1,468,374	68,182
Marketable and investment securities	79,303	79,303	
Long-term receivables	33,434		
Allowance for doubtful receivables	(14,102)		
Sub-total	19,332	19,332	
Total	¥3,098,714	¥3,223,486	¥124,772
Short-term loans from banks and other financial institutions	¥796,298	¥796,298	
Commercial paper	830,000	830,000	
Notes and accounts payable — trade	91,954	91,954	
Bonds	688,774	690,495	¥1,721
Loans from the securitizations of the minimum future rentals on lease contracts	173,539	174,110	570
Long-term loans from banks and other financial institutions	1,421,711	1,428,384	6,673
Total	¥4,002,278	¥4,011,243	¥8,965

March 31, 2016	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	**$982,934**	**$982,934**	
Time deposits other than cash equivalents	**77,439**	**77,439**	
Receivables:			
Installment sales	**2,367,187**		
Deferred profit on installment sales	**(191,236)**		
Allowance for doubtful receivables	**(5,220)**		
Sub-total	**2,170,731**	**2,324,370**	**$153,638**
Receivables:			
Loans	**10,989,662**		
Allowance for doubtful receivables	**(54,158)**		
Sub-total	**10,935,504**	**11,367,993**	**432,488**
Lease receivables and investments in leases	**13,100,695**		
Residual values of investments in leases	**(394,430)**		
Allowance for doubtful receivables	**(20,772)**		
Sub-total	**12,685,492**	**13,423,785**	**738,292**
Marketable and investment securities	**506,419**	**506,419**	
Long-term receivables	**247,092**		
Allowance for doubtful receivables	**(143,659)**		
Sub-total	**103,433**	**103,433**	
Total	**$27,461,955**	**$28,786,375**	**$1,324,420**
Short-term loans from banks and other financial institutions	**$5,211,528**	**$5,211,528**	
Commercial paper	**7,553,982**	**7,553,982**	
Notes and accounts payable — trade	**828,486**	**828,486**	
Bonds	**6,343,450**	**6,375,430**	**$31,980**
Loans from the securitizations of the minimum future rentals on lease contracts	**1,494,422**	**1,506,340**	**11,918**
Long-term loans from banks and other financial institutions	**13,987,200**	**14,040,719**	**53,518**
Total	**$35,419,071**	**$35,516,488**	**$97,417**

The methodologies and assumptions used to estimate the fair values of financial instruments are summarized below:

Cash and cash equivalents and time deposits other than cash equivalents
The carrying values of cash and cash equivalents and time deposits other than cash equivalents approximate fair value because of their short maturities.

Receivables — Installment sales
The fair values of receivables — installment sales are measured by discounting the amounts to be received based on the collection schedule at the interest rate assumed when similar and new installment sales are made, based on the same internal rating and periods.

Receivables — Loans
The carrying values of loan receivables with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term as long as there are no significant fluctuations in the credit standing after lending.

The fair values of loan receivables with fixed interest rates are measured by discounting the amounts to be received, including principal and interest at the interest rates assumed when similar and new lending is made, based on the same internal rating and periods.

Lease receivables and investments in leases
The fair values of lease receivables and investments in leases are measured by discounting the amount to be received (*) based on the collection schedule reduced by the amount of the estimate for the administrative and maintenance expenses at the interest rates assumed when similar and new lease dealings are made based on its internal rating and periods.

(*) As to the lease receivables and investments in leases involved in the foreign exchange forward contracts that qualify for hedge accounting and meet specific matching criteria, the amount to be received is exchanged at the contract rate (see Note 23).

Marketable and investment securities
The fair values of equity securities are measured at the quoted market price of the stock exchanges, or determined by discounting the future cash flows at a certain discount rate. The carrying values of debt securities and trust beneficiary interests with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term as long as there are no significant fluctuations in the credit standing. The fair values of debt securities and trust beneficiary interests with fixed interest rates are determined by discounting the cash flows at a certain discount rate. Information on the fair value of the marketable and investment securities by classification is included in Note 4.

Long-term receivables
The fair values of long-term receivables, which are composed of receivables to customers in distress, are measured at carrying value reduced by the estimated uncollectible amount based on the estimated amount of the collateral value and the recoverable amount by guarantee.

Short-term loans from banks and other financial institutions
The carrying values of short-term loans from banks and other financial institutions approximate fair value because of the short-term settlement period.

Commercial paper
The carrying values of commercial paper approximate fair value because of their short-term settlement period.

Notes and accounts payable — trade
The carrying values of notes and accounts payable — trade approximate fair value because of their short-term settlement period.

Bonds
The carrying values of bonds settled in the short term approximate fair value. The carrying values of bonds settled in the long term with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term and there were no significant fluctuations in the credit standing of the Companies after issuance. The fair values of other bonds are measured by discounting the total amount to be paid, including principal and interest (*) based on the specific periods at the interest rates assumed when issuing a new bond with similar terms.

(*) Bonds with fixed interest rates are netted against related floating-to-fixed interest rate swaps when qualifying for hedge accounting and meeting specific criteria (see Note 23).

Loans from the securitizations of the minimum future rentals on lease contracts
The carrying values of loans from the securitizations of the minimum future rentals on lease contracts settled in the short term approximate fair value.

The carrying values of loans from the securitizations of the minimum future rentals on leases settled in the long term with floating interest rates approximate fair value because the floating interest rate will be determined by the market interest rate in the short term and there are no significant fluctuations in the credit standing of the Companies after securitizing. The fair values of other loans from the securitizations of the minimum future rentals on lease contracts are measured by discounting the cash flows to be paid, including principal and interest based on its specific period, at interest rates assumed when a similar and new securitization is made.

Long-term loans from banks and other financial institutions

The carrying values of long-term loans with floating interest rates approximate fair value because the floating rates will be determined by the market interest rate in the short term and there are no significant fluctuations in the credit standing of the Companies after borrowing. The fair values of long-term loans with fixed interest rates are measured by discounting the total amount to be paid, including principal and interest (*) based on its specific period, at interest rates assumed when a similar and new borrowing is made.

(*) Regarding the long-term loans involved in the interest rate swap contracts that qualify for hedge accounting and meet specific matching criteria, the total amount of its principal and interest at the post-swap rate is applied.
Regarding the long-term loans involved in the cross-currency interest rate swap contracts that qualify for hedge accounting and meet specific matching criteria, the total amount of its principal and interest is considered as borrowings of yen currency at a fixed rate (see Note 23).

Derivatives

Information regarding the fair value of derivatives is included in Note 23.

Financial instruments of which fair value is not readily determinable

Nonmarketable securities as of March 31, 2016 and 2015, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Shares of subsidiaries and associated companies	**¥31,169**	¥25,195	**$275,838**
Unlisted shares	**9,994**	10,146	**88,448**
Trust beneficiary interests	**1,177**		**10,422**
Silent partnership interests and other	**71,283**	72,614	**630,828**
Total	**¥113,625**	¥107,956	**$1,005,536**

(5) Maturity analysis for receivables and securities with contractual maturities

	Millions of yen					
March 31, 2016	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	**¥111,071**					
Time deposits other than cash equivalents	**8,750**					
Receivables						
Installment sales (1)	**86,492**	**¥62,913**	**¥44,687**	**¥31,588**	**¥18,106**	**¥23,703**
Loans	**332,279**	**216,573**	**178,720**	**130,452**	**88,151**	**295,654**
Lease receivables and investments in leases (2)	**450,563**	**366,793**	**285,806**	**201,422**	**132,537**	**292,722**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**3,064**	**102**	**851**	**1,023**	**1**	**1,150**
Other	**11,733**	**3,309**	**6,141**	**9,201**	**3,271**	**8,806**
Total	**¥1,003,955**	**¥649,691**	**¥516,207**	**¥373,688**	**¥242,068**	**¥622,037**

March 31, 2015	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen					
Cash and cash equivalents	¥102,773					
Time deposits other than cash equivalents	10,135					
Receivables						
Installment sales (1)	81,287	¥59,803	¥44,290	¥28,872	¥17,051	¥26,752
Loans	331,492	205,096	177,894	139,437	115,633	288,038
Lease receivables and investments in leases (2)	453,349	358,584	279,855	202,141	125,854	278,181
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	3,700	590	3,590	1,445	18,501	341
Other	10,501	6,740	4,956	8,612	15,154	7,055
Total	¥993,240	¥630,816	¥510,586	¥380,510	¥292,195	¥600,368

March 31, 2016	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars					
Cash and cash equivalents	**$982,934**					
Time deposits other than cash equivalents	**77,439**					
Receivables						
Installment sales (1)	**765,422**	**$556,754**	**$395,466**	**$279,540**	**$160,238**	**$209,765**
Loans	**2,940,529**	**1,916,577**	**1,581,600**	**1,154,446**	**780,098**	**2,616,410**
Lease receivables and investments in leases (2)	**3,987,286**	**3,245,955**	**2,529,258**	**1,782,502**	**1,172,897**	**2,590,465**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**27,120**	**903**	**7,533**	**9,060**	**14**	**10,177**
Other	**103,832**	**29,289**	**54,348**	**81,427**	**28,951**	**77,934**
Total	**$8,884,565**	**$5,749,481**	**$4,568,208**	**$3,306,976**	**$2,142,199**	**$5,504,753**

(1) Including unrealized profit of installment sales.
(2) Including unearned interest income.
(3) Long-term receivables to customers in distress, of which repayment schedule cannot be expected, are not presented in the above table.
(4) Please see Note 13 for information on the maturity of short-term borrowings and long-term debt.

23. Derivatives

Derivative transactions to which hedge accounting is not applied as of March 31, 2016 and 2015, were as follows:

	Millions of yen							
	2016				2015			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:								
Selling Chinese yuan	**¥378**	**¥189**	**¥18**	**¥18**	¥568	¥378	¥(5)	¥(5)
Currency interest rate swap contracts:								
Chinese yuan payment, U.S. dollars receipt	**241**	**86**	**10**	**10**	396	241	(8)	(8)
Indonesia rupiah payment, Japanese yen receipt	**7,070**	**1,644**	**(31)**	**(31)**	6,909	1,000	(471)	(311)
Interest rate swap contracts:								
Fixed-rate payment, floating-rate receipt	**2,213**	**1,084**	**(90)**	**(90)**	6,074	2,596	(102)	(102)
Floating-rate payment, floating-rate receipt	**2,000**		**5**	**5**	2,000	2,000	18	18
Interest rate cap:								
Buying	**2,097**	**1,782**	**35**	**(37)**	3,406	3,021	86	

	Thousands of U.S. dollars			
	2016			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:				
Selling Chinese yuan	**$3,353**	**$1,676**	**$160**	**$160**
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipt	**2,138**	**766**	**91**	**91**
Indonesia rupiah payment, Japanese yen receipt	**62,571**	**14,550**	**(277)**	**(277)**
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	**19,589**	**9,594**	**(796)**	**(796)**
Floating-rate payment, floating-rate receipt	**17,699**		**49**	**49**
Interest rate cap:				
Buying	**18,565**	**15,776**	**316**	**(335)**

Derivative transactions to which hedge accounting is applied as of March 31, 2016 and 2015, were as follows:

	Hedged item	Millions of yen		
		2016		
		Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipt	Lease receivables, receivables — loans	**¥7,081**	**¥5,591**	**¥394**
Indonesia rupiah payment, U.S. dollars receipt	Lease receivables	**4,600**	**3,460**	**490**
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	**810**		**3**
Selling Singapore dollars	Payables — trade	**16**		
Selling Japanese yen	Payables — trade	**2**		
Selling Chinese yuan	payables — trade	**2,029**		**20**
Cross-currency interest rate swap contracts:				
Japanese yen payment, U.S. dollars receipt	Long-term loans	**7,357**		
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**25,629**	**20,466**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**1,254**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds	**550,093**	**541,949**	**(10,705)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**6,670**	**6,670**	
Fixed-rate payment, floating-rate receipt	Long-term loans	**189,681**	**183,702**	

	Hedged item	Millions of yen		
		2015		
		Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipts	Lease receivables, receivables — loans	¥7,554	¥7,077	¥(71)
Indonesia rupiah payment, U.S. dollars receipt	Lease receivables	3,430	2,549	(5)
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	302		(7)
Selling Singapore dollars	Payables — trade	114		(10)
Selling Chinese yuan	Lease receivables, payables — trade	2,467		(107)
Cross-currency interest rate swap contracts:				
Japanese yen payment, U.S. dollars receipt	Long-term loans	7,846	7,846	
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	24,181	14,829	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	1,486		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds	553,231	522,726	(4,337)
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	5,000	5,000	
Fixed-rate payment, floating-rate receipt	Long-term loans	176,610	162,299	

	Hedged item	Contract amount	Contract amount due after one year	Fair value
		Thousands of U.S. dollars		
		2016		
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipts	Lease receivables, receivables — loans	**$62,668**	**$49,486**	**$3,490**
Indonesia rupiah payment, U.S. dollars receipt	Lease receivables	**40,716**	**30,625**	**4,344**
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	**7,176**		**34**
Selling Singapore dollars	Payables — trade	**143**		**(4)**
Selling Japanese yen	Payables — trade	**20**		
Selling Chinese yuan	payables — trade	**17,963**		**178**
Cross-currency interest rate swap contracts:				
Japanese yen payment, U.S. dollars receipt	Long-term loans	**65,106**		
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**226,812**	**181,115**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**11,105**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds	**4,868,083**	**4,796,010**	**(94,738)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**59,026**	**59,026**	
Fixed-rate payment, floating-rate receipt	Long-term loans	**1,678,595**	**1,625,682**	

The fair values of derivative transactions are measured at the offered price by financial institutions or the price calculated according to present discounted value, and so on.

The contract amounts of derivatives, which are shown in the above tables do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

The cross-currency interest rate swap contracts, interest rate swap contracts, and foreign currency exchange contracts which qualify for hedge accounting and meet specific matching criteria are assigned to the associated long-term loans from banks and other financial institutions and lease receivables, recorded in the consolidated balance sheets at March 31, 2016 and 2015, and included in the fair value of hedged items.

24. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	**¥(5,835)**	¥11,478	**$(51,638)**
Reclassification adjustments to (loss)	**(303)**	(170)	**(2,688)**
Amount before income tax effect	**(6,138)**	11,307	**(54,326)**
Income tax effect	**2,400**	(3,003)	**21,240**
Total	**(3,738)**	8,303	**(33,086)**
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	**(10,586)**	(7,478)	**(93,683)**
Reclassification adjustments to profit	**4,404**	2,485	**38,974**
Amount before income tax effect	**(6,182)**	(4,992)	**(54,709)**
Income tax effect	**1,841**	1,750	**16,300**
Total	**(4,340)**	(3,242)	**(38,408)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**(7,921)**	32,206	**(70,103)**
Reclassification adjustments to profit	**151**		**1,339**
Amount before income tax effect	**(7,770)**	32,206	**(68,764)**
Income tax effect			
Total	**(7,770)**	32,206	**(68,764)**
Defined retirement benefit plans:			
Adjustments arising during the year	**(5,418)**	1,366	**(47,946)**
Reclassification adjustments to profit	**356**	417	**3,156**
Amount before income tax effect	**(5,061)**	1,783	**(44,789)**
Income tax effect	**1,523**	(686)	**13,479**
Total	**(3,538)**	1,096	**(31,310)**
Share of other comprehensive income in associates:			
(Losses) gains arising during the year	**(795)**	38	**(7,036)**
Reclassification adjustments to profit	**31**	16	**276**
Total	**(763)**	54	**(6,759)**
Total other comprehensive income	**¥(20,151)**	¥38,418	**$(178,329)**

25. Segment Information

Under ASBJ Statement No. 17, *Accounting Standard for Segment Information Disclosures,* and ASBJ Guidance No. 20, *Guidance on Accounting Standard for Segment Information Disclosures*, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Companies have two reportable segments: "Customer Finance" and "Asset Finance."

Customer Finance is attributable to financial transactions, such as finance leases, installment sales, and loans to individual customers, relating to credit risk management.

Asset Finance is attributable to financial transactions, such as operating leases, investments or loans related to real estate, operating securities, financing related to aircraft, and leasing of office buildings, relating to individual asset or project management.

2. Methods of measurement for the amounts of revenues, profit or (loss), assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Effective April 1, 2015, the Company applied the revised accounting standards and guidance as discussed in Note 2.b. The effect of this change on segment profit was immaterial.

3. Information about revenues, profit or (loss), assets, and other items

	Millions of yen				
	Reportable segment				
Year Ended March 31, 2016	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	**¥569,050**	**¥256,794**	**¥825,845**		**¥825,845**
Intersegment revenue or transfers	**605**	**328**	**934**	**¥(934)**	
Total	**569,656**	**257,123**	**826,779**	**(934)**	**825,845**
Segment profit	**39,805**	**57,411**	**97,217**	**(8,945)**	**88,272**
Segment assets	**2,844,538**	**2,117,615**	**4,962,153**	**159,100**	**5,121,253**
Other items:					
Depreciation	**8,108**	**108,455**	**116,564**	**728**	**117,293**
Amortization of goodwill	**3,090**	**2,933**	**6,023**		**6,023**
Investments in equity method affiliates	**19,449**	**10,035**	**29,484**		**29,484**
Increase in property and equipment and intangible assets	**812**	**298,389**	**299,202**	**1,900**	**301,102**

	Millions of yen				
	Reportable segment				
Year Ended March 31, 2015	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	¥550,814	¥191,637	¥742,452		¥742,452
Intersegment revenue or transfers	95	409	504	¥(504)	
Total	550,910	192,046	742,956	(504)	742,452
Segment profit	40,384	37,996	78,380	(8,143)	70,237
Segment assets	2,810,853	2,079,853	4,890,706	144,970	5,035,676
Other items:					
Depreciation	9,561	80,618	90,180	263	90,443
Amortization of goodwill	3,180	2,527	5,708		5,708
Investments in equity method affiliates	15,881	8,917	24,799		24,799
Increase in property and equipment and intangible assets (3)	600	262,246	262,846	2,391	265,238

Year Ended March 31, 2016	Thousands of U.S. dollars				
	Reportable segment				
	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	**$5,035,848**	**$2,272,517**	**$7,308,365**		**$7,308,365**
Intersegment revenue or transfers	**5,361**	**2,909**	**8,271**	**$(8,271)**	
Total	**5,041,210**	**2,275,426**	**7,316,637**	**(8,271)**	**7,308,365**
Segment profit	**352,263**	**508,068**	**860,331**	**(79,160)**	**781,171**
Segment assets	**25,172,905**	**18,739,959**	**43,912,865**	**1,407,966**	**45,320,831**
Other items:					
Depreciation	**71,760**	**959,785**	**1,031,546**	**6,446**	**1,037,993**
Amortization of goodwill	**27,350**	**25,957**	**53,308**		**53,308**
Investments in equity method affiliates	**172,121**	**88,805**	**260,926**		**260,926**
Increase in property and equipment and intangible assets	**7,192**	**2,640,616**	**2,647,809**	**16,818**	**2,664,627**

Notes:

(1) "Adjustments" in segment profit contain mainly Company-wide expenses relating to the back-office operations of the Company (general administration, HR, Finance, and accounting) included in selling, general, and administrative expenses, which are not attributed to each reportable segment.

"Adjustments" in segment assets contain mainly operating funds, long-term investment funds, and Company-wide assets relating to the back-office operations of the Company, which are not attributed to each reportable segment.

"Adjustments" in depreciation contain depreciation relating to the back-office operations of the Company, which are not attributed to each reportable segment.

"Adjustments" in increase in property and equipment and intangible assets contain increase in property, plant, and equipment and intangible assets of Company-wide assets.

(2) "Adjustments" for segment profit are adjusted to reach operating income in the consolidated statements of income.

(3) "Increase in property and equipment and intangible assets" for Asset Finance for the year ended March 31, 2015, does not include property and equipment of ELF and BIL and their subsidiaries amounting to ¥278,216 million as of the acquisition date and related goodwill of ¥6,049 million due to the acquisition of all of the outstanding shares of ELF and all of the equity interests in BIL.

4. Information about products and services

	Millions of yen				
	2016				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥674,118**	**¥85,673**	**¥34,162**	**¥31,890**	**¥825,845**

	Millions of yen				
	2015				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥604,062	¥83,408	¥33,892	¥21,089	¥742,452

	Thousands of U.S. dollars				
	2016				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$5,965,654**	**$758,174**	**$302,323**	**$282,212**	**$7,308,365**

5. Information about geographical areas

(1) Revenues

Millions of yen					
2016					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥684,131	**¥24,531**	**¥44,627**	**¥58,021**	**¥14,532**	**¥825,845**

Millions of yen					
2015					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥663,374	¥15,210	¥22,559	¥33,691	¥7,616	¥742,452

Thousands of U.S. dollars					
2016					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$6,054,263	**$217,094**	**$394,937**	**$513,462**	**$128,607**	**$7,308,365**

(2) Property and equipment

Millions of yen					
2016					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥535,004	**¥187,391**	**¥364,067**	**¥368,136**	**¥132,155**	**¥1,586,755**

Millions of yen					
2015					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥516,473	¥165,096	¥350,674	¥341,079	¥124,226	¥1,497,550

Thousands of U.S. dollars					
2016					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$4,734,553	**$1,658,333**	**$3,221,835**	**$3,257,847**	**$1,169,515**	**$14,042,086**

6. Information about impairment loss for property and equipment

No impairment loss was recognized in 2016 and 2015.

7. Information about amortization and unamortized balance of goodwill by reportable segment

	Millions of yen				
	2016				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**¥3,090**	**¥2,933**	**¥6,023**		**¥6,023**
Unamortized balance of goodwill	**29,885**	**50,069**	**79,955**		**79,955**

	Millions of yen				
	2015				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	¥3,180	¥2,527	¥5,708		¥5,708
Unamortized balance of goodwill	37,116	57,381	94,497		94,497

	Thousands of U.S. dollars				
	2016				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**$27,350**	**$25,957**	**$53,308**		**$53,308**
Unamortized balance of goodwill	**264,477**	**443,094**	**707,571**		**707,571**

Impairment loss of ¥3,121 million ($27,622 thousand) on goodwill attributable to “Customer finance” was recognized for the year ended March 31, 2016.

26. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2016 and 2015, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2016	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥54,631**	**889,044**	**¥61.45**	**$0.54**
Effect of dilutive securities:				
Warrants		**3,089**		
Diluted EPS				
Net income for computation	**¥54,631**	**892,133**	**¥61.24**	**$0.54**

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2015	Net income attributable to owners of the parent	Weighted-average shares	EPS
Basic EPS			
Net income available to common shareholders	¥44,068	888,815	¥49.58
Effect of dilutive securities:			
Warrants		2,957	
Diluted EPS			
Net income for computation	¥44,068	891,773	¥49.42

27. Subsequent Event

a. On May 16, 2016, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥7.10 ($0.06) per share	**¥6,313**	**$55,873**

b. Capital and Business Alliance for Strengthening Financial Functions of Hitachi Capital Corporation and the Company

Mitsubishi UFJ Financial Group, Inc. (headquarters: Tokyo, President & Group CEO: Nobuyuki Hirano, "MUFG"), The Bank of Tokyo-Mitsubishi UFJ, Ltd. (headquarters: Tokyo, President & CEO: Takashi Oyamada, "BTMU"), and the Company have agreed to execute a business alliance with Hitachi, Ltd. (headquarters: Tokyo, Representative Executive Officer, President & CEO: Toshiaki Higashihara, "Hitachi") and Hitachi Capital Corporation (headquarters: Tokyo, President & CEO: Seiji Kawabe, "HC") (the "Business Alliance") as follows.

To be specific, for the purpose of strengthening the financial functions of the Company and HC, the five companies, the Company, MUFG, BTMU, Hitachi and HC have signed a Memorandum of Understanding (the "MOU") regarding business alliance including open financial platform, and the Company and MUFG will acquire 4.2% and 23.0%, respectively, of HC's outstanding shares (excluding treasury shares) from Hitachi (the "Capital and Business Alliance" in conjunction with the Business Alliance).

1. Reasons for the Capital and Business Alliance

MUFG group, led by BTMU, has been focusing on financing deals in the areas of infrastructure development, such as electric power (including renewable energy), and railroads, etc., by leveraging its proven track record, know-how, and global network, and built a solid track record as a leading bank in global project finance. Moreover, it is expected to make a contribution to overseas business development and business opportunities enhancement of Japanese companies through providing financial support in a way to address an increasing trend and diversification of social infrastructure project.

The Company has evolved its business model under New Medium-term Management Plan "Evolution," by proactively participating in various business projects and then expanding its business scope, for the purpose of building a business portfolio that combines stability with growth potential. Additionally, the Company newly set up Infrastructure Business Office as of April 1, 2016, with an aim to reinforce social infrastructure business globally by leveraging its insights and know-how accumulated from business model evolution and promotion process.

Recently, the global infrastructure market has become more competitive regarding order placement against a backdrop of the continuous scale expansion. Hence, a comprehensive proposal for large-scale and long-term infrastructure projects with financing arm as a package has gained more influence, and financial support for manufactures to pursue such business opportunities in infrastructure is stiffer. In order to cope with the business environment mentioned above, it is necessary to build a framework in which financial institutions and manufacturers can display their financing arrangement abilities and technological strengths, respectively, in an integrated manner.

After engaging in various discussions among related parties with this common understanding, the Company, MUFG, and BTMU have reached an agreement to enter into the Capital and Business Alliance with Hitachi and HC, both of which are leading players in social infrastructure area.

The Capital and Business Alliance is considered to help expand business scope and enhance financial solutions including financial functions strengthening of the Company, and maximize the enterprise value of overall MUFG group.

2. Particulars of the Capital and Business Alliance

The Company, MUFG, BTMU, Hitachi, and HC will make a discussion on building an open financial platform, mainly operated by the Company and HC, in order to provide support for infrastructure industry from financial perspective.

In addition, the Company and HC have agreed to pursue specific discussions as follows to achieve business growth and enterprise value improvement of both parties, (i) to reinforce existing business by leveraging each other's business franchise, (ii) to create new business opportunities by applying both know-how and network, and (iii) to develop new solutions by combining both strengths.

In terms of the scope of business alliance, specific discussions will be made covering a wide range, but not limited to a certain field or region. In the Japanese market, environment and energy, urban infrastructure and public facilities, real estate, and joint study on IoT across various fields are assumed and also overseas market mainly in the Americas, ASEAN, and China. Going forward, further discussions on additional regions or subjects will be conducted appropriately.

Such alliances are intended to enable the Company to expand business scope and enhance financial solution, along with HC to expand business scope and reinforce funding capacity in foreign currencies by leveraging distribution network and creditworthiness of MUFG group.

In order to exert a prompt effect of the alliances, the Company and MUFG will acquire 4,909,340 shares and 26,884,484 shares, respectively, of HC from Hitachi at ¥3,400 ($30.08) per share. Moreover, HC will acquire 26,678,000 shares of the Company in the market sequentially.

Further, MUFG and the Company and HC have agreed that MUFG and the Company will dispatch representatives to the Board of Directors of HC, and HC meanwhile to the Company, subject to approval at general meeting of shareholders to be held in 2017.

In addition, the five companies are scheduled to advance consultations with an eye to the embodiment of the open financial platform further, as the Company and HC will engage in discussions appropriately towards relationship strengthening with an option of business integration subsequent to finalization of the Capital and Business Alliance.

3. Profile of HC

(1) Name:	Hitachi Capital Corporation
(2) Address:	Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003 Japan
(3) Representative title and name:	President & CEO Seiji Kawabe
(4) Business description:	Comprehensive leasing
(5) Capital (As of March 31, 2016):	¥9,983 million

4. HC shares

(1) Number of shares owned before the acquisition:	0 shares (Number of voting right: 0) (Ownership percentage: 0%)
(2) Number of shares to be acquired:	4,909,340 shares
(3) Acquisition price:	Common stock of HC: ¥3,400 ($30.08)
(4) Number of shares owned after the acquisition:	4,909,340 shares (Number of voting right: 49,093) (Ownership percentage: 4.2%)

5. Timeline of the Capital and Business Alliance

(1) Resolution of the Board of Directors:	May 13, 2016
(2) Execution of the MOU regarding Business Alliance, the Agreement on Capital Alliance, and the Share Purchase Agreement:	May 13, 2016
(3) Execution of a definitive agreement on business alliance, etc.:	August 2016 (scheduled)*
(4) Transfer of HC shares:	August 2016 (scheduled)*

* The execution of HC shares transfer is subject to the execution of the definitive agreement on business alliance and approval of anti-trust agencies of related countries and relevant regulatory authorities.

6. Future Prospects

The impact of the Capital and Business Alliance on the financial results for the year ending March 31, 2017 will be immaterial.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mitsubishi UFJ Lease & Finance Company Limited:

We have audited the accompanying consolidated balance sheets of Mitsubishi UFJ Lease & Finance Company Limited and its consolidated subsidiaries as of March 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi UFJ Lease & Finance Company Limited and its consolidated subsidiaries as of March 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 29, 2016

Member of
Deloitte Touche Tohmatsu Limited