Value Integrator

FINANCIAL INFORMATION

2017

For the year ended March 31, 2017

MUFG Mitsubishi UFJ Lease & Finance

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Results

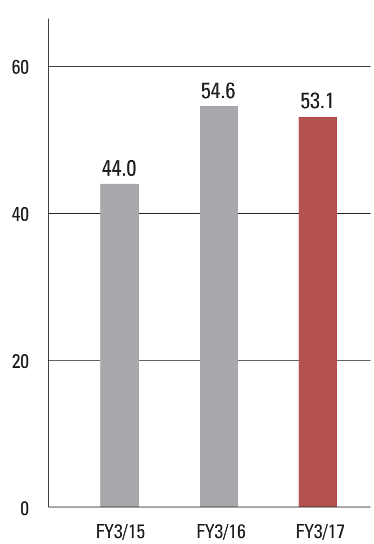
In the fiscal year ended March 31, 2017, the Japanese economy showed a basic trend of gradual recovery. The wider business environment, however, continued to be affected by a large number of uncertain factors, ranging from concerns over a potential slowdown in emerging economies to the continuing appreciation of the Japanese yen against the U.S. dollar. In response to these conditions, the Mitsubishi UFJ Lease & Finance Group continued to implement its Medium-Term Management Plan **Limitless Evolution**, which reached the final year of its three-year term. In line with the plan, the Group worked to develop new businesses on the foundation of its accumulated expertise and knowledge in specialized fields and took energetic measures to further strengthen and expand its business base in Japan and overseas.

As a result, the Group posted a 1.6% year-on-year increase in consolidated revenues, which grew by ¥13.0 billion to ¥838.8 billion. Gross profit declined by ¥15.7 billion or 9.5% to ¥150.2 billion. The decrease was due to factors including a fall in real estate-related dividend income compared to the previous year. Operating income decreased by ¥9.1 billion or 10.4% to ¥79.1 billion, while net income attributable to owners of the parent fell by ¥1.4 billion or 2.7% to ¥53.1 billion. The decrease in net income attributable to owners of the parent was due to a slowdown in the container market, the decrease in dividend income from investments, and fluctuations in the foreign exchange rate.

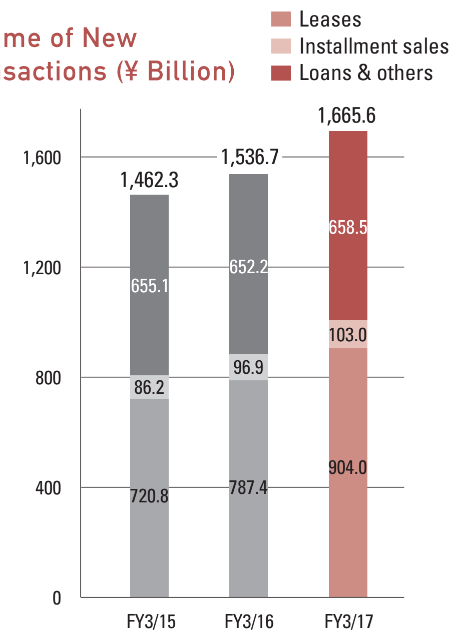
These results mean that the two business targets set out in the **Limitless Evolution** plan have been met: consolidated net income attributable to owners of the parent of ¥45.0 billion or more and ratio of overseas operating assets of at least 30.0%. In the fiscal year under review, the final year of the Medium-Term Management Plan, the Group laid the ground for the launch of the New Medium-Term Management Plan **Breakthrough for the Next Decade** by working to fulfill its growth strategy and reinforce its business base.

The volume of new transactions during the fiscal year ended March 31, 2017, expanded by 8.4% year on year to ¥1,665.6 billion, due notably to growth in transactions in aircraft and other global assets. By business segment, the volume of new transactions

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



Volume of New Transactions (¥ Billion)



posted a 14.8% year-on-year increase in the leasing business to reach ¥904.0 billion, and a 6.3% increase in the installment sales business to ¥103.0 billion, while the loans business experienced a 0.2% decline to ¥612.3 billion and other businesses a drop of 18.7% to ¥46.1 billion.

Financial Position

As of March 31, 2017, the total assets of Mitsubishi UFJ Lease & Finance stood at ¥5,388.8 billion, an increase of ¥267.5 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 ¥44.0 billion from the previous year-end to ¥686.3 billion, driving the equity ratio up by 0.2 of a percentage point to 12.2%. The balance of interest-bearing debt increased by ¥233.3 billion from the previous year-end to ¥4,142.0 billion.

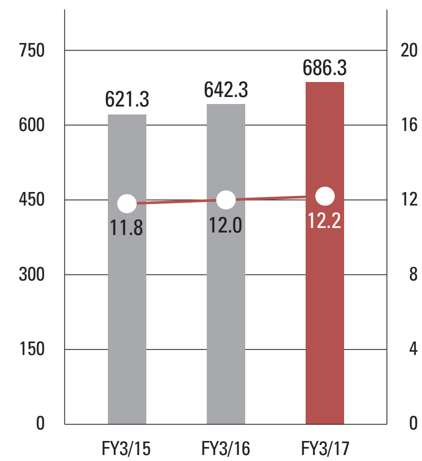
Operating activities used net cash of ¥220.2 billion compared to ¥36.8 billion used in the previous fiscal year. The main inflows were ¥86.4 billion in income before income taxes, ¥119.9 billion in depreciation and amortization, and ¥97.7 billion due to a loss on disposals and sales of leased assets. These were set against outflows including ¥426.2 billion for purchases of leased assets, ¥31.5 billion due to an increase in lease receivables and investments in leases, ¥32.1 billion in increase in receivables, and ¥17.9 billion in income taxes—paid.

Investing activities used net cash of ¥28.8 billion compared to ¥5.1 billion used in the previous fiscal year. Among the main inflows was ¥12.2 billion in proceeds from sales and redemption of investment securities, offset by outflows including ¥37.2 billion for purchases of investment securities and ¥4.7 billion for payments for acquisition of newly consolidated subsidiaries.

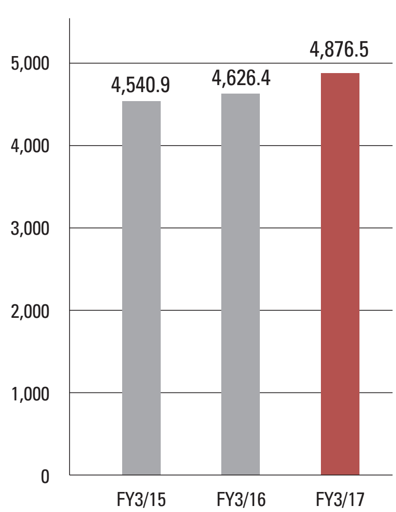
Financing activities provided net cash of ¥234.9 billion, compared with a net inflow of ¥50.7 billion in the previous fiscal year. Direct financing such as corporate bonds and commercial paper provided net proceeds of ¥9.7 billion, while indirect financing such as bank loans provided net proceeds of ¥237.1 billion. Among the main outflows was ¥11.8 billion in cash dividends paid.

As a result of these movements, cash and cash equivalents as of March 31, 2017 stood at ¥95.2 billion, a decrease of ¥15.8 billion or 14.2% from the previous fiscal year-end.

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



Operating Assets (¥ Billion)



BUSINESS AND RELATED RISKS

The Mitsubishi UFJ Lease & Finance Group's primary business and related risks that could have an important impact on investors' decisions are given below. The Group has established an appropriate system to manage these risks and strives to prevent them from emerging or to minimize their impact if they occur.

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, 2017.

01 Business Fluctuations

The Mitsubishi UFJ Lease & Finance Group conducts business activities globally. It provides services such as leases as a means for customers to fund capital investments. The assets it holds for leases and related transactions are diversified, ranging from general movable property such as office equipment and production equipment to assets, such as aircraft, that are used in particular industries.

Demand for capital investment can decline considerably if a customer's business environment deteriorates with deceleration or slowdown in business at home or abroad. In that case, a decline in leases and other transactions could impact the Group's business results and financial position.

02 Intensifying Competition

The Mitsubishi UFJ Lease & Finance Group continues to face intense competition in its leasing and other businesses conducted in and outside Japan, not only from companies in the same business but also from financial institutions and others.

The Group makes various efforts to maintain and strengthen its competitiveness, including by offering greater added value to its customers and through low-cost fund procurement. However, should the current competitive situation intensify further, a fall in market share and decline in income could impact the Group's business results and financial position.

03 Credit Risk

The Mitsubishi UFJ Lease & Finance Group conducts business that extends credit over the medium-to-long term through leases, installment sales, and other forms. When considering the advisability of each deal, the Group makes a thorough study in light of the customer's credit standing and country risk as well as factors such as the value of the leased property in an effort to ensure a reasonable return for the risk. The Group also endeavors to take risk diversification into account in credit management for its portfolio overall so as to not concentrate credit in particular customers, industry sectors, countries, or regions. Furthermore, it strives to ensure sound management by checking the credit standing of customers on an ongoing basis even after entering into business relations and by quantitatively measuring the credit risk of its portfolio to periodically monitor whether it is within a certain scope of capital.

Nevertheless, depending on future business trends and the financial landscape, additional provisions of allowance for doubtful receivables could be necessary with increasing non-performing loans due to deterioration of a company's credit status, which could impact the Group's business results and financial position.

04 Asset Risk

In addition to general movable property, the Mitsubishi UFJ Lease & Finance Group also holds assets such as aircraft and aircraft engines, and conducts a business leasing these assets in and outside Japan in the form of operating leases. When engaging in operating leases, the Group carefully assesses the future property value in addition to the customer's credit standing when considering each deal, in an effort to ensure a reasonable return for the risk and to maintain a portfolio with risk diversification taken into account, including applicable models, regions, and time of expiration. The Group also quantitatively measures the risk of fluctuations in the value of assets in its portfolio to periodically monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

The Group strives for appropriate management of asset risk through these initiatives, but should there be a significant business deterioration or an abrupt change in the market environment for the leased property, the Group could record a disposal loss and impairment loss with a substantial drop in the property's value, or costs associated with management of the property could increase, which could impact the Group's business results and financial position.

05 Market Risk

(1) Interest Rate Fluctuation Risk

The fees for leases and installment sales conducted by the Mitsubishi UFJ Lease & Finance Group are set based on the purchase price for the transacted property and the market interest rates at the time of contract and basically do not fluctuate during the contract term. Acquisition funds for the leased property, on the other hand, are procured at fixed interest rates and variable interest rates, and the cost of capital is affected by fluctuations in the market interest rate.

The Group constantly watches movements in the financial markets and, as needed, monitors through asset liability management (ALM) any imbalances in the form of interest rates for asset management and for procurement of funds. It then manages interest rate fluctuation risk through appropriate hedge operations while taking interest rate movements and other factors into account. However, should the market interest rate rise precipitously, it could impact the Group's business results and financial position.

(2) Exchange Rate Fluctuation Risk

The Mitsubishi UFJ Lease & Finance Group actively conducts business outside Japan, and the foreign currency assets in its consolidated operating assets have reached a certain percentage. The financial statements of many of the Group's consolidated subsidiaries outside Japan are expressed in the local currency while the Company's consolidated financial statements are expressed in Japanese yen. For this reason, should a large fluctuation occur in exchange rates, it could impact the Group's business results and financial position in Japanese yen terms.

(3) Stock Price Fluctuation Risk

The Mitsubishi UFJ Lease & Finance Group holds marketable stocks. Should a loss on valuation of stock holdings occur with a considerable drop in stock prices due to factors such as a free fall in economic and financial conditions, major confusion in the financial markets, or a drop in performance of the company whose stock is held, it could impact the Group's business results and financial position.

BUSINESS AND RELATED RISKS

06 Liquidity Risk

The Mitsubishi UFJ Lease & Finance Group procures large amounts of funds in Japanese and foreign currencies when conducting business such as the acquisition and loaning of properties for leasing. With respect to the procurement of funds, the Group tries to ensure the liquidity of funds through efforts to diversify by procuring funds directly from the market including corporate bonds, commercial paper, and liquidation of lease receivables in addition to borrowing from financial institutions as well as through procurement with long- and short-term balance, careful management of cash flow, and measures to supplement liquidity during emergencies, such as through the acquisition of commitment lines.

Nevertheless, should the Group be required to procure funds under interest rates that are considerably less favorable than the usual procurement costs or experience difficulty securing enough funds because of heightened risk aversion on the part of financial institutions and investors due to a free fall in economic and financial conditions and major confusion in the financial markets or a decline in the Group's creditworthiness, it could impact the Group's business results and financial position.

07 Risk Related to Expansion of Operating Base, Strategic Partnerships, and M&As

In pursuit of continued growth through expansion of its operating base, the Mitsubishi UFJ Lease & Finance Group engages, in and outside Japan, in strategic partnerships with outside entities aimed at the enhancement of various services and tries to diversify and expand the Group's business portfolio through M&As in addition to expanding business on its own.

The Group endeavors to diversify its business and enhance its services through this kind of approach. However, changes in the domestic or international economic and financial conditions, intensification of competition, changes in the business environment or strategy of partners, revision of relevant legislation or other systems, and other factors could cause a failure to achieve expected results or result in the need to record additional expenses. Such a situation could impact the Group's business results and financial position.

08 System Change Risk

The Mitsubishi UFJ Lease & Finance Group conducts its various businesses in and outside Japan based on current legislation, taxation, accounting, and other systems. Should substantial changes be made to these systems in the future, they could impact the Group's business results and financial position.

09 Operational Risk

The Mitsubishi UFJ Lease & Finance Group uses a variety of information systems to conduct account processing, management of various contracts, customer management, asset management of leased properties, and other operations. The Group also conducts transactions in various forms, and it follows detailed operational management rules for each kind of transaction. With respect to information systems, the Group puts in place management systems to prevent trouble by detecting malfunctions, interruptions and other abnormalities, unauthorized access from outside, penetration by computer viruses, and cyber attacks. It also continuously implements in-house training related to information security and operational management.

Despite these measures, it is possible that unauthorized access from outside, penetration by computer viruses, human error such as inappropriate administration within the company, or fraud could cause system suspension and failure or the leakage or unauthorized use of the Company's confidential information or customer information. Such a situation could impact the Group's business results and financial position by causing a back up in operating activities due to interruption of contracting and collection operations and services provided to customers as well as a fall in social confidence due to the leakage of important information.

10 Compliance Risk

The Mitsubishi UFJ Lease & Finance Group's operations are subject to a range of relevant legislation in and outside Japan. Specifically, in Japan its operations must comply with the Companies Act, tax laws, the Financial Instruments and Exchange Act, the Anti-Monopoly Act, the Personal Information Protection Act, the Money Lending Business Act, the Installment Sales Act, the Act on Prevention of Transfer of Criminal Proceeds, and laws and regulations related to the environment. Outside Japan, the Group's operations are subject to the legislation of each country and region as well as to oversight by regulatory authorities. The Group regards compliance as one of its most important management issues. In addition to rigorous compliance with legislation and company rules, the Group makes it a practice to carry out operations in accordance with high ethical standards and social norms. The Group provides continuing training on compliance and takes measures to prevent fraud in an effort to further strengthen its compliance system.

Nevertheless, should there be a failure of compliance with legislation, social norms, or company rules, it could impact the Group's business results and financial position by causing restriction on or interruption of operations, a claim for damages from customers or others, and a fall in social confidence.

11 Risk Related to Natural Disaster and Unpredictable Circumstances

The Mitsubishi UFJ Lease & Finance Group uses facilities, including sites and systems, in and outside Japan to conduct its operations. Wind and flood damage, earthquake, or other natural disasters as well as infectious disease, terrorism, or other unpredictable circumstances could damage those sites and systems, disrupting our business operations.

The Group has established a business continuity plan, taken redundancy measures for key systems, and put in place other systems to prepare for such situations. However, depending on the extent of the damage, it could take a long time for business activities to recover or considerable expenditure could be needed to restore systems and other facilities. Such a situation could impact the Group's business results and financial position.

12 Risk Related to Personnel Recruitment

The Mitsubishi UFJ Lease & Finance Group must stably secure adequate human resources, in order to maintain and strengthen its competitiveness in the various businesses it operates in and outside Japan. The Group strives to continuously recruit and train capable personnel, but should it not be able to secure and train the needed personnel, that could impact the Group's business results and financial position.

Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Assets			
Current assets:			
Cash and cash equivalents (Notes 10 and 21)	**¥95,263**	¥111,071	**$850,571**
Time deposits other than cash equivalents (Notes 10 and 21)	**6,747**	8,750	**60,242**
Marketable securities (Notes 3 and 21)	**4,555**	12,296	**40,672**
Receivables:			
Lease	**21,266**	20,022	**189,877**
Installment sales (Notes 10 and 21)	**273,133**	267,492	**2,438,687**
Loans (Notes 10, 11, and 21)	**1,245,555**	1,241,831	**11,121,030**
Lease receivables and investments in leases (Notes 6, 10, 18, and 21)	**1,514,767**	1,480,378	**13,524,712**
Inventories (Note 4)	**6,954**	2,851	**62,089**
Deferred tax assets (Note 19)	**8,620**	10,356	**76,966**
Prepaid expenses and other	**69,903**	77,550	**624,138**
Allowance for doubtful receivables (Note 21)	**(8,397)**	(9,594)	**(74,978)**
Total current assets	**3,238,369**	3,223,009	**28,914,011**
Property and equipment:			
Leased assets — at cost	**2,265,197**	2,026,970	**20,224,980**
Accumulated depreciation	**(508,058)**	(466,536)	**(4,536,235)**
Net leased assets	**1,757,139**	1,560,434	**15,688,744**
Advances for purchases of leased assets	**17,643**	11,131	**157,528**
Total leased assets (Notes 5, 7, and 10)	**1,774,782**	1,571,565	**15,846,273**
Other operating assets — at cost	**14,580**	8,398	**130,183**
Accumulated depreciation	**(2,158)**	(1,273)	**(19,269)**
Net other operating assets (Note 10)	**12,422**	7,125	**110,913**
Own used assets — at cost	**13,342**	15,212	**119,126**
Accumulated depreciation	**(7,187)**	(7,147)	**(64,175)**
Net own used assets	**6,154**	8,064	**54,950**
Total property and equipment	**1,793,359**	1,586,755	**16,012,137**
Investments and other assets:			
Investment securities (Notes 3, 10, and 21):			
Unconsolidated subsidiaries and associated companies	**87,423**	67,445	**780,568**
Other securities	**110,126**	91,108	**983,270**
Goodwill (Notes 8 and 9)	**75,785**	79,955	**676,654**
Long-term receivables (Note 21)	**34,144**	27,921	**304,865**
Asset for retirement benefits (Note 13)	**301**	257	**2,687**
Deferred tax assets (Note 19)	**8,400**	12,201	**75,001**
Other (Note 10)	**57,299**	48,901	**511,603**
Allowance for doubtful receivables (Note 21)	**(16,365)**	(16,302)	**(146,116)**
Total investments and other assets	**357,116**	311,489	**3,188,535**
Total assets	**¥5,388,844**	¥5,121,253	**$48,114,684**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 12, 18, and 21)	**¥545,818**	¥588,902	**$4,873,380**
Commercial paper (Notes 12 and 21)	**835,900**	853,600	**7,463,392**
Current maturities of bonds (Notes 12 and 21)	**193,553**	222,520	**1,728,159**
Current maturities of long-term loans (Notes 10, 11, 12, 18, and 21)	**257,964**	285,403	**2,303,250**
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 10, 12, and 21)	**55,518**	64,037	**495,702**
Current maturities of lease obligations (Note 12)	**20,333**	18,532	**181,549**
Notes and accounts payable — trade (Note 21)	**100,070**	93,618	**893,485**
Income taxes payable	**12,545**	7,223	**112,016**
Deferred profit on installment sales (Note 21)	**20,225**	21,609	**180,585**
Other (Notes 12 and 19)	**129,430**	159,854	**1,155,632**
Total current liabilities	**2,171,361**	2,315,302	**19,387,155**
Long-term liabilities:			
Bonds, less current maturities (Notes 12 and 21)	**579,976**	494,289	**5,178,362**
Long-term loans from banks and other financial institutions, less current maturities (Notes 10, 11, 12, 18, and 21)	**1,591,376**	1,295,149	**14,208,715**
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 10, 12, and 21)	**81,965**	104,832	**731,834**
Lease obligations, less current maturities (Note 12)	**69,854**	66,199	**623,699**
Liability for retirement benefits (Note 13)	**5,825**	6,223	**52,009**
Asset retirement obligations	**15,401**	14,506	**137,512**
Deferred tax liabilities (Note 19)	**39,113**	30,628	**349,226**
Other (Notes 10 and 12)	**147,592**	151,753	**1,317,791**
Total long-term liabilities	**2,531,104**	2,163,585	**22,599,151**
Commitments and contingent liabilities (Notes 14 and 22)			
Equity (Notes 15 and 26)**:**			
Common stock — authorized, 3,200,000,000 shares in 2017 and 2016; issued, 895,834,160 shares in 2017 and 2016	**33,196**	33,196	**296,393**
Capital surplus	**167,220**	167,237	**1,493,039**
Stock acquisition rights (Note 16)	**1,253**	1,129	**11,192**
Retained earnings	**390,601**	349,319	**3,487,513**
Treasury stock — at cost, 6,321,236 shares in 2017 and 6,581,437 shares in 2016	**(2,211)**	(2,302)	**(19,745)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**15,501**	17,632	**138,403**
Deferred gain (loss) on derivatives under hedge accounting	**942**	(7,426)	**8,414**
Foreign currency translation adjustments	**55,778**	63,070	**498,020**
Defined retirement benefit plans	**(3,944)**	(4,785)	**(35,216)**
Total	**658,337**	617,072	**5,878,014**
Noncontrolling interests	**28,040**	25,293	**250,363**
Total equity	**686,378**	642,366	**6,128,377**
Total liabilities and equity	**¥5,388,844**	¥5,121,253	**$48,114,684**

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Revenues (Note 18)	**¥838,886**	¥825,845	**$7,490,059**
Costs (Note 18)	**688,655**	659,846	**6,148,706**
Gross profit	**150,231**	165,998	**1,341,353**
Selling, general, and administrative expenses (Note 17)	**71,119**	77,726	**634,995**
Operating income	**79,112**	88,272	**706,357**
Other income (expenses):			
Dividend income	**1,541**	1,306	**13,760**
Interest expense — net of interest income of ¥107 million ($956 thousand) in 2017 and ¥141 million in 2016 (Note 18)	**(3,301)**	(3,645)	**(29,478)**
Impairment loss (Note 9)	**(1,096)**	(3,121)	**(9,785)**
Other — net	**10,215**	7,288	**91,212**
Other income — net	**7,359**	1,828	**65,708**
Income before income taxes	**86,471**	90,100	**772,066**
Income taxes (Note 19)**:**			
Current	**21,947**	22,123	**195,962**
Deferred	**8,691**	12,468	**77,601**
Total income taxes	**30,639**	34,592	**273,563**
Net income	**55,832**	55,508	**498,502**
Net income attributable to noncontrolling interests	**2,675**	876	**23,884**
Net income attributable to owners of the parent	**¥53,157**	¥54,631	**$474,618**

	Yen		U.S. dollars
	2017	2016	**2017**
Amounts per share of common stock (Note 25)**:**			
Basic net income	**¥59.77**	¥61.45	**$0.53**
Diluted net income	**59.56**	61.24	**0.53**
Cash dividends applicable to the year	**13.00**	12.30	**0.11**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Net income	**¥55,832**	¥55,508	**$498,502**
Other comprehensive income (Note 23)**:**			
Net unrealized loss on available-for-sale securities	**(2,128)**	(3,738)	**(19,001)**
Deferred gain (loss) on derivatives under hedge accounting	**8,286**	(4,340)	**73,984**
Foreign currency translation adjustments	**(7,406)**	(7,770)	**(66,126)**
Defined retirement benefit plans	**884**	(3,538)	**7,897**
Share of other comprehensive income in associates	**82**	(763)	**740**
Total other comprehensive income	**(280)**	(20,151)	**(2,505)**
Comprehensive income	**¥55,551**	¥35,357	**$495,997**
Total comprehensive income attributable to:			
Owners of the parent	**¥52,943**	¥34,802	**$472,709**
Noncontrolling interests	**2,608**	554	**23,288**

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, 2017 and 2016

	Thousands				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights (Note 16)	Retained earnings
BALANCE, 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 (377,500 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**
Net income attributable to owners of the parent					**53,157**
Cash dividends					**(11,872)**
Purchase of treasury stock (99 shares)					
Disposal of treasury stock (260,300 shares)			**(17)**		
Adjustment of retained earnings for newly consolidated subsidiaries					
Adjustment of retained earnings for newly associated companies accounted for by the equity method					**(3)**
Net change in the year				**123**	
BALANCE, MARCH 31, 2017	**895,834**	**¥33,196**	**¥167,220**	**¥1,253**	**¥390,601**

	Common stock	Capital surplus	Stock acquisition rights (Note 16)	Retained earnings
BALANCE, MARCH 31, 2016	**$296,393**	**$1,493,196**	**$10,088**	**$3,118,928**
Net income attributable to owners of the parent				**474,618**
Cash dividends				**(106,007)**
Purchase of treasury stock (99 shares)				
Disposal of treasury stock (260,300 shares)		**(156)**		
Adjustment of retained earnings for newly consolidated subsidiaries				**5**
Adjustment of retained earnings for newly associated companies accounted for by the equity method				**(30)**
Net change in the year			**1,103**	
BALANCE, MARCH 31, 2017	**$296,393**	**$1,493,039**	**$11,192**	**$3,487,513**

See notes to consolidated financial statements.

	Millions of yen							
	Accumulated other comprehensive income							
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
¥(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**
					53,157		**53,157**
					(11,872)		**(11,872)**
91					**73**		**73**
					(3)		**(3)**
	(2,131)	**8,368**	**(7,291)**	**841**	**(90)**	**2,747**	**2,657**
¥(2,211)	**¥15,501**	**¥942**	**¥55,778**	**¥(3,944)**	**¥658,337**	**¥28,040**	**¥686,378**

Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
$(20,558)	**$157,437**	**$(66,305)**	**$563,126**	**$(42,728)**	**$5,509,577**	**$225,835**	**$5,735,412**
					474,618		**474,618**
					(106,007)		**(106,007)**
813					**656**		**656**
					5		**5**
					(30)		**(30)**
	(19,034)	**74,719**	**(65,106)**	**7,511**	**(804)**	**24,528**	**23,723**
$(19,745)	**$138,403**	**$8,414**	**$498,020**	**$(35,216)**	**$5,878,014**	**$250,363**	**$6,128,377**

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Operating activities:			
Income before income taxes	**¥86,471**	¥90,100	**$772,066**
Adjustment for:			
Income taxes — paid	**(17,920)**	(30,225)	**(160,005)**
Depreciation and amortization	**119,954**	123,317	**1,071,021**
Amortization of negative goodwill	**(25)**	(25)	**(224)**
(Reversal) provision of allowance for doubtful receivables	**(2,077)**	4,076	**(18,547)**
Loss on disposals and sales of leased assets	**97,754**	106,485	**872,805**
Impairment loss	**1,096**	3,121	**9,785**
Changes in assets and liabilities:			
Increase in receivables	**(32,101)**	(1,636)	**(286,616)**
Increase in lease receivables and investments in leases	**(31,559)**	(35,009)	**(281,781)**
(Increase) decrease in operating securities and investments in private equity securities	**(3,857)**	23,771	**(34,441)**
Increase in trade payables	**5,800**	1,748	**51,785**
(Decrease) increase in interest payable	**(47)**	874	**(424)**
Purchases of leased assets	**(426,201)**	(306,498)	**(3,805,366)**
Purchases of other operating assets	**(1,859)**		**(16,606)**
Other — net	**(15,678)**	(16,918)	**(139,984)**
Total adjustments	**(306,723)**	(126,920)	**(2,738,601)**
Net cash used in operating activities	**(220,251)**	(36,819)	**(1,966,535)**
Investing activities:			
Purchases of own used assets	**(2,806)**	(2,695)	**(25,060)**
Purchases of investment securities	**(37,281)**	(4,556)	**(332,867)**
Proceeds from sales and redemption of investment securities	**12,278**	1,194	**109,629**
Payments for acquisition of newly consolidated subsidiaries	**(4,788)**		**(42,753)**
Payments into time deposits	**(1,742)**	(2,193)	**(15,561)**
Proceeds from withdrawal of time deposits	**4,212**	3,201	**37,610**
Other — net	**1,262**	(56)	**11,275**
Net cash used in investing activities	**(28,865)**	(5,105)	**(257,728)**
Financing activities:			
Net decrease in short-term loans	**(41,532)**	(203,761)	**(370,827)**
Net (decrease) increase in commercial paper	**(17,700)**	23,600	**(158,035)**
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	**119,100**	118,076	**1,063,392**
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	**(150,485)**	(122,745)	**(1,343,621)**
Proceeds from long-term loans	**599,340**	498,715	**5,351,252**
Repayments of long-term loans	**(320,671)**	(303,115)	**(2,863,140)**
Proceeds from issuance of bonds	**275,832**	172,024	**2,462,793**
Redemption of bonds	**(216,977)**	(122,498)	**(1,937,295)**
Cash dividends paid	**(11,872)**	(9,423)	**(106,007)**
Other — net	**(124)**	(135)	**(1,109)**
Net cash provided by financing activities	**234,908**	50,736	**2,097,398**
Foreign currency translation adjustments on cash and cash equivalents	**(1,667)**	(512)	**(14,888)**
Net (decrease) increase in cash and cash equivalents	**(15,876)**	8,298	**(141,753)**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	**68**		**614**
Cash and cash equivalents, beginning of year	**111,071**	102,773	**991,710**
Cash and cash equivalents, end of year	**¥95,263**	¥111,071	**$850,571**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Years ended March 31, 2017 and 2016

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 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112 to USD1, the approximate rate of exchange at March 31, 2017.

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, 2017, include the accounts of the Company and its 261 (249 in 2016) 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 2016) unconsolidated subsidiaries and 23 (17 in 2016) 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 19 such collective investment vehicles in 2017 (four in 2016).

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 mainly 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, 2017.

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, 2017 and 2016. 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 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 statements 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 sheets
In the consolidated balance sheets, "minority interest" under the previous accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statements of income
In the consolidated statements 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 sheets, (c) presentation of the consolidated statements 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 sheets and (c) presentation of the consolidated statements 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, ¥4,731 million, and ¥791 million, respectively, and capital surplus increased by ¥505 million. 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 ¥183,715 million ($1,640,321 thousand) in 2017 and ¥180,999 million in 2016.

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 ¥3,650 million ($32,594 thousand) and ¥65,606 million ($585,772 thousand), respectively, as of March 31, 2017, and ¥10,799 million and ¥56,960 million, respectively, as of March 31, 2016. 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, 2017 and 2016, were ¥2,130 million ($19,020 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, buildings acquired after April 1, 1998, and leasehold improvements and structures acquired after April 1, 2016, by the Company and its consolidated domestic subsidiaries.

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

Buildings: Three to 47 years (three to 47 years in 2016)

Furniture and equipment: Three to 20 years (three to 20 years in 2016)

Pursuant to an amendment to the Corporate Tax Act, the Company adopted Accounting Standards Board of Japan Practical Issues Task Force No. 32, *Practical Solution on a change in depreciation method due to Tax Reform 2016*, and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effects of this change on operating income and income before income taxes for the year ended March 31, 2017, were immaterial.

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 ¥11,876 million ($106,044 thousand) and ¥14,712 million at March 31, 2017 and 2016, 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 sheets 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 sheets 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

l. Asset Retirement Obligations — An asset retirement obligation is recorded for 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 — The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. 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.

The Company applied ASBJ Guidance No. 26, *Guidance on Recoverability of Deferred Tax Assets*, effective April 1, 2016.

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 sheets 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.

3. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Marketable securities	**¥4,555**	¥12,296	**$40,672**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**87,423**	67,445	**780,568**
Other securities	**110,126**	91,108	**983,270**
Total	**¥202,105**	¥170,851	**$1,804,511**

Marketable and investment securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Equity securities	**¥117,571**	¥84,388	**$1,049,744**
Debt securities	**3,434**	6,193	**30,661**
Trust fund investments and other	**81,099**	80,268	**724,105**
Total	**¥202,105**	¥170,851	**$1,804,511**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2017 and 2016, were as follows:

	Millions of yen			
March 31, 2017	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**¥34,472**	**¥26,992**	**¥(3,799)**	**¥57,665**
Debt securities	**3,426**	**8**		**3,434**
Total	**¥37,898**	**¥27,000**	**¥(3,799)**	**¥61,099**

March 31, 2016	Millions of yen 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

March 31, 2017	Thousands of U.S. dollars Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**$307,792**	**$241,000**	**$(33,921)**	**$514,872**
Debt securities	**30,589**	**72**		**30,661**
Total	**$338,382**	**$241,072**	**$(33,921)**	**$545,534**

Marketable and investment securities whose fair value is not readily determinable as of March 31, 2017 and 2016, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Investments in unconsolidated subsidiaries and associated companies	**¥85,212**	¥65,791	**$760,826**
Available for sale:			
Equity securities	**8,646**	9,994	**77,204**
Trust beneficiary interests	**2,011**	1,177	**17,961**
Silent partnership and other	**45,134**	36,661	**402,983**
Total	**¥141,005**	¥113,625	**$1,258,977**

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Proceeds	**¥8,252**	¥848	**$73,682**
Realized gains	**4,362**	663	**38,951**
Realized losses	**(11)**	(82)	**(103)**

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Equity securities	**¥1,786**	¥32	**$15,947**

4. Inventories

Inventories as of March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Merchandise	**¥1,340**	¥1,270	**$11,973**
Real estate for resale	**5,613**	1,580	**50,116**
Total	**¥6,954**	¥2,851	**$62,089**

5. 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 ¥9,508 million ($84,897 thousand) and ¥8,263 million for the fiscal years ended March 31, 2017 and 2016, respectively.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2017 and 2016, were as follows:

Millions of yen			
2017			
Carrying amount (1)			Fair value (3)
Beginning of year	Net increase (2)	End of year	End of year
¥230,191	**¥39,880**	**¥270,072**	**¥294,152**

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

Thousands of U.S. dollars			
2017			
Carrying amount (1)			Fair value (3)
Beginning of year	Net increase (2)	End of year	End of year
$2,055,280	**$356,079**	**$2,411,360**	**$2,626,364**

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, 2017 and 2016, were primarily attributable to ¥44,405 million ($396,480 thousand) and ¥26,868 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.

6. Lease Receivables and Investments in Leases

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2017, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	2017	2017
2018	¥125,723	$1,122,532
2019	101,285	904,336
2020	76,459	682,677
2021	57,735	515,496
2022	33,216	296,578
Thereafter	71,949	642,408
Total	¥466,371	$4,164,029

Investments in leases as of March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gross investments in leases	¥1,289,327	¥1,305,359	$11,511,851
Residual values	44,302	44,570	395,555
Unearned interest income	(242,958)	(254,428)	(2,169,275)
Total	¥1,090,670	¥1,095,502	$9,738,131

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2017, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	2017	2017
2018	¥330,516	$2,951,036
2019	273,520	2,442,144
2020	210,921	1,883,228
2021	152,938	1,365,522
2022	96,856	864,789
Thereafter	224,574	2,005,131
Total	¥1,289,327	$11,511,851

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. The effects on interest for the years ended March 31, 2017 and 2016, were immaterial.

The consolidated balance sheets amounts of sublease contracts, including those that aim to disperse credit risks, including interest as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Lease receivables	¥21,746	¥22,639	$194,164
Investments in leases	65,740	59,839	586,969
Lease obligations	90,032	84,669	803,862

7. Leased Assets

The minimum future rentals on lease contracts as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Due within one year	**¥164,311**	¥158,898	**$1,467,064**
Due after one year	**785,603**	713,312	**7,014,318**
Total	**¥949,914**	¥872,211	**$8,481,382**

8. Goodwill

Goodwill as of March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Goodwill in connection with acquisition	**¥21,174**	¥23,291	**$189,055**
Consolidation goodwill	**54,611**	56,663	**487,598**
Total	**¥75,785**	¥79,955	**$676,654**

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.

9. Long-Lived Assets

The Companies reviewed their long-lived assets for impairment as of March 31, 2017 and 2016. As a result, the Companies recognized impairment losses of ¥1,096 million ($9,785 thousand) and ¥3,121 million on the following long-lived assets for the years ended March 31, 2017 and 2016, respectively.

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
		2017		
Koshigaya-shi Saitama, Japan	Dormitory for employees	Land and buildings	**¥1,096**	**$9,785**

The Companies mainly categorize business assets, such as leased assets, based on a minimum unit which generates independent cash flows, and idle assets as an individual independent unit. Own use assets such as head office and dormitories for employees are categorized as common use assets since they do not generate independent cash flows. Due to the decision to stop using as a dormitory for employees and to sell the above assets, the carrying amount of the above assets were reduced to the recoverable amount and the reduction was recorded as an impairment loss in other income (expenses). The recoverable amount of the asset group is measured at the net selling price determined by the appraisal amount by third-party real estate appraiser.

Location	Use	Type of assets	Millions of yen
	2016		
PT. Takari Kokoh Sejahtera Jakarta, Indonesia	-	Goodwill	¥3,121

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%.

10. Pledged Assets

As of March 31, 2017, 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
	2017	2017
Cash, cash equivalents, and time deposits	¥5,423	$48,425
Receivables — loans	91,990	821,339
Receivables — installment sales	36	328
Lease receivables and investments in leases	37,304	333,077
Leased assets	453,141	4,045,904
Other operating assets	2,131	19,034
Investment securities	12,420	110,895
Investments and other assets — other	213	1,910
Future rentals on operating lease contracts	4,770	42,592
Total	¥607,432	$5,423,507

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Long-term loans from banks and other financial institutions	¥319,891	$2,856,175
Loans from the securitizations of the minimum future rentals on lease contracts	100,245	895,050
Other long-term liabilities	1,637	14,616
Total	¥421,774	$3,765,842

11. Nonrecourse Loans

Nonrecourse loans as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current maturities of nonrecourse long-term loans	¥572	¥604	$5,114
Nonrecourse long-term loans, less current maturities	7,511	8,586	67,069
Total	¥8,084	¥9,190	$72,183

Pledged assets for nonrecourse loans as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Receivables — loans	¥9,633	¥10,835	$86,011

12. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Short-term loans from banks and other financial institutions:			
0.58%	**¥545,818**		**$4,873,380**
0.44%		¥588,902	
Commercial paper:			
0.01%	**¥835,900**		**$7,463,392**
0.04%		¥853,600	
Bonds:			
Bonds without collateral:			
Due 2017-2036, 0.001%-0.890%	**¥355,000**		**$3,169,642**
Due 2016-2024, 0.172%-0.796%		¥325,000	
U.S. dollar bond without collateral:			
Due 2018, 2.000%	**56,053**	56,252	**500,479**
U.S. dollar bonds issued under the MTN program:			
Due 2019-2021, 1.816%-2.750%	**257,846**		**2,302,197**
Due 2016-2020, 1.394%-2.750%		258,976	
Euroyen bonds issued under the MTN program:			
Due 2017-2019, 0.010%-0.060%	**92,000**		**821,428**
Due 2016-2017, 0.030%-0.120%		55,000	
Chinese yuan bond issued under the MTN program:			
Due 2017, 3.280%		8,695	
Bond without collateral issued by Hirogin Lease Co., Ltd.:			
Due 2019, 0.500%	**5,000**	5,000	**44,642**
U.S. dollar bonds without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2018-2019, 1.017%-1.027%	**3,616**		**32,286**
Due 2018, 0.633%		1,937	
Thai baht bond without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2016, 3.670%		3,340	
Indonesia rupiah bonds without collateral issued by PT. Mitsubishi UFJ Lease & Finance Indonesia:			
Due 2018-2019, 8.500%-10.250%	**4,014**		**35,844**
Due 2016-2018, 9.250%-10.250%		2,608	
Total	**¥773,530**	¥716,809	**$6,906,522**

Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 0.90%	**¥257,391**		**$2,298,136**
Due 2018-2032, 1.33%	**1,583,864**		**14,141,645**
Due within one year, 0.88%		¥284,799	
Due 2017-2032, 1.20%		1,286,563	
Total	**¥1,841,255**	¥1,571,362	**$16,439,781**
Nonrecourse loans:			
Due within one year, 1.24%	**¥572**		**$5,114**
Due 2018-2021, 1.24%	**7,511**		**67,069**
Due within one year, 0.72%		¥604	
Due 2017-2021, 0.72%		8,586	
Total	**¥8,084**	¥9,190	**$72,183**
Lease obligations, including fixed interests:			
Due within one year	**¥20,333**		**$181,549**
Due 2018-2037	**69,854**		**623,699**
Due within one year		¥18,532	
Due 2017-2031		66,199	
Total	**¥90,187**	¥84,732	**$805,249**
Loans from the securitizations of the minimum future rentals on lease contracts:			
Due within one year, 0.21%	**¥55,518**		**$495,702**
Due 2018-2029, 0.60%	**81,965**		**731,834**
Due within one year, 0.26%		¥64,037	
Due 2017-2029, 0.56%		104,832	
Total	**¥137,484**	¥168,869	**$1,227,536**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥7,725**		**$68,976**
Due 2018-2035	**16,686**		**148,985**
Due within one year		¥2,746	
Due 2017-2018		15,065	
Total	**¥24,411**	¥17,812	**$217,962**

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, 2017 and 2016.

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, 2017, the Company has not received any such request.

Annual maturities of long-term debt as of March 31, 2017, for the next five years were as follows:

	Millions of yen				
March 31, 2017	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 ...	**¥545,818**				
Commercial paper	**835,900**				
Bonds...........................	**193,553**	**¥91,448**	**¥181,423**	**¥111,080**	**¥136,024**
Long-term loans from banks and other financial institutions ...	**257,391**	**273,948**	**182,005**	**240,424**	**197,694**
Nonrecourse loans	**572**	**576**	**579**	**582**	**5,773**
Lease obligations..........	**20,333**	**17,626**	**14,616**	**11,919**	**9,273**
Loans from the securitizations of the minimum future rentals on lease contracts and other......	**63,244**	**31,088**	**16,937**	**10,467**	**14,267**
Total	**¥1,916,814**	**¥414,687**	**¥395,561**	**¥374,474**	**¥363,034**

	Thousands of U.S. dollars				
March 31, 2017	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 ...	**$4,873,380**				
Commercial paper	**7,463,392**				
Bonds...........................	**1,728,159**	**$816,501**	**$1,619,850**	**$991,787**	**$1,214,507**
Long-term loans from banks and other financial institutions ...	**2,298,136**	**2,445,966**	**1,625,047**	**2,146,647**	**1,765,127**
Nonrecourse loans	**5,114**	**5,143**	**5,173**	**5,201**	**51,551**
Lease obligations..........	**181,549**	**157,378**	**130,503**	**106,424**	**82,800**
Loans from the securitizations of the minimum future rentals on lease contracts and other......	**564,678**	**277,577**	**151,226**	**93,459**	**127,388**
Total	**$17,114,412**	**$3,702,567**	**$3,531,802**	**$3,343,519**	**$3,241,375**

The Company and certain consolidated subsidiaries had loan commitment agreements as of March 31, 2017 and 2016, amounting to ¥448,066 million ($4,000,591 thousand) and ¥435,273 million, respectively, of which ¥432,998 million ($3,866,057 thousand) and ¥433,045 million, respectively, were unused.

13. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have contract-type defined benefit corporate pension plans for employees or unfunded retirement benefit plans and defined pension contribution plans. The Company adopted contract-type defined benefit corporate pension plans based on Defined Benefit Corporate Pension Act at February 1, 2011. In addition, the Company adopted a defined contribution pension plan at October 1, 2016.

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, 2017 and 2016, were ¥159 million ($1,424 thousand) and ¥153 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, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥24,936**	¥18,901	**$222,643**
Current service cost	**1,755**	1,432	**15,670**
Interest cost	**128**	286	**1,150**
Actuarial (gains) losses	**(378)**	4,977	**(3,377)**
Benefits paid	**(428)**	(661)	**(3,824)**
Balance at end of year	**¥26,013**	¥24,936	**$232,262**

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥19,123**	¥18,352	**$170,743**
Expected return on plan assets	**312**	299	**2,791**
Actuarial gains (losses)	**188**	(441)	**1,681**
Contributions from the employer	**1,241**	1,220	**11,087**
Benefits paid	**(217)**	(309)	**(1,939)**
Balance at end of year	**¥20,648**	¥19,123	**$184,364**

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded defined benefit obligation	**¥24,961**	¥23,975	**$222,866**
Plan assets	**(20,648)**	(19,123)	**(184,364)**
	4,312	4,852	**38,502**
Unfunded defined benefit obligation	**1,052**	960	**9,395**
Net liability arising from defined benefit obligation	**¥5,364**	¥5,812	**$47,897**
Liability for retirement benefits	**¥5,665**	¥6,070	**$50,585**
Asset for retirement benefits	**(301)**	(257)	**(2,687)**
Net liability arising from defined benefit obligation	**¥5,364**	¥5,812	**$47,897**

(4) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥1,755**	¥1,432	**$15,670**
Interest cost	**128**	286	**1,150**
Expected return on plan assets	**(312)**	(299)	**(2,791)**
Recognized actuarial losses	**635**	283	**5,674**
Amortization of prior service cost	**72**	72	**650**
Others	**1**	6	**12**
Net periodic benefit costs	**¥2,281**	¥1,782	**$20,367**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Prior service cost	**¥72**	¥72	**$650**
Actuarial gains (losses)	**1,201**	(5,134)	**10,731**
Total	**¥1,274**	¥(5,061)	**$11,382**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized prior service cost	**¥(109)**	¥(37)	**$(981)**
Unrecognized actuarial losses	**5,444**	6,647	**48,615**
Total	**¥5,334**	¥6,610	**$47,633**

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
General account	**42%**	42%
Debt investments	**31**	30
Equity investments	**25**	26
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, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	**0.51% to 0.56%**	0.51% to 0.56%
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.

(9) Defined contribution pension plans

Contribution to defined contribution pension plans for the year ended March 31, 2017, was ¥307 million ($2,748 thousand).

14. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2017, totaling ¥106,637 million ($952,118 thousand), where the used portion is ¥6,400 million ($57,147 thousand), and the unused portion is ¥100,236 million ($894,970 thousand). This amount includes unused portions of the facilities of ¥86,244 million ($770,035 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, 2017, as guarantor or co-guarantor for borrowings and others of ¥7,319 million ($65,352 thousand) for their unconsolidated subsidiaries and others.

The Companies have entered into various interest rate swap contracts, interest rate cap contracts, cross-currency interest rate swap contracts, and foreign exchange forward contracts in the ordinary course of business (see Note 22).

15. 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.

16. 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, 2017, 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 ($2.35)	¥250.1 ($2.23)	¥283.1 ($2.52)

	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 ($2.79)	¥502 ($4.48)	¥490 ($4.37)

	2016 stock option	**2017 stock option**
Persons granted	9 directors 20 executive officers	**9 directors** **20 executive officers**
Number of options granted*	368,800	**451,700**
Date of grant	October 15, 2015	**October 14, 2016**
The fair value of options granted under the plan at the grant dates*	¥546 ($4.87)	**¥436** **($3.89)**

The total stock-based compensation costs recognized for the years ended March 31, 2017 and 2016, were ¥196 million ($1,758 thousand) and ¥201 million, respectively.

The fair value of 2017 stock option is estimated using the Black-Scholes option-pricing model with the assumptions noted as follows in the table:

	2017 stock option
Volatility of stock price	**34.94%**
Estimated remaining outstanding period	**3.8 years**
Estimated dividend	**2.55%**
Risk-free interest rate	**(0.22)%**

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 ¥12.3 ($0.10) made in the preceding year for the year ended March 31, 2017. 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, 2017 and 2016, was as follows:

	2010 stock option	2011 stock option	2012 stock option	2013 stock option
	Number of shares*			
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
For the year ended March 31, 2017				
Outstanding at beginning of fiscal year	**300,000**	**469,900**	**619,900**	**557,000**
Granted				
Canceled or expired				
Exercised	**113,300**	**66,000**	**25,100**	**43,200**
Outstanding at end of fiscal year	**186,700**	**403,900**	**594,800**	**513,800**
Vested at end of fiscal year	**186,700**	**403,900**	**594,800**	**513,800**

	2014 stock option	2015 stock option	2016 stock option	**2017 stock option**
	Number of shares*			
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	
For the year ended March 31, 2017				
Outstanding at beginning of fiscal year	**419,000**	**350,300**	**368,800**	
Granted				**451,700**
Canceled or expired				
Exercised		**12,700**		
Outstanding at end of fiscal year	**419,000**	**337,600**	**368,800**	**451,700**
Vested at end of fiscal year	**419,000**	**337,600**	**368,800**	**451,700**

* 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.

17. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Provision for doubtful receivables	**¥3,897**	¥10,603	**$34,802**
Employees' salaries, bonuses, and allowances	**19,814**	18,775	**176,918**
Other	**47,406**	48,347	**423,274**
Total	**¥71,119**	¥77,726	**$634,995**

18. Related-Party Transactions

The transactions with subsidiaries of Mitsubishi UFJ Financial Group, Inc. or Mitsubishi Corporation, which has significant influence over the Company, for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Interest expense*1	**¥6,531**	¥5,785	**$58,314**
Interest expense (U.S. dollars)*1	**N/A**		**10,253**
Lease revenue*2	**2,133**		**19,044**

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

*2 Mitsubishi Corporation, which has significant influence over the Company, converted Lawson, Inc. into a subsidiary. This amount represents the amount of transactions occurring after Lawson, Inc. had become a subsidiary.

Amounts due from and to subsidiaries of Mitsubishi UFJ Financial Group, Inc. or Mitsubishi Corporation, which has significant influence over the Company, as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Lease receivables and investments in leases*3	**¥113,513**		**$1,013,517**
Short-term loans	**113,000**	¥113,000	**1,008,928**
Long-term loans, including current maturities	**279,876**	259,900	**2,498,893**
Long-term loans, including current maturities (U.S. dollars)	**N/A**		**1,021,386**

*3 Lease receivables and investments in leases include the amounts of lease contracts, which aim to disperse credit risk, including interest, presented in consolidated balance sheets.

19. 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 30.9% and 33.1% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Tax loss carryforwards	**¥32,729**	¥25,562	**$292,224**
Allowance for doubtful receivables	**8,856**	8,383	**79,080**
Advances received — leases	**5,892**	5,311	**52,614**
Accrued expenses	**5,227**	6,217	**46,672**
Investment securities	**5,124**	5,706	**45,750**
Other	**21,088**	19,901	**188,286**
Total deferred tax assets	**78,918**	71,083	**704,628**
Less valuation allowance	**(7,855)**	(6,505)	**(70,138)**
Less deferred tax liabilities	**(54,042)**	(42,019)	**(482,521)**
Net deferred tax assets	**¥17,020**	¥22,557	**$151,968**

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	**¥65,284**	¥46,359	**$582,894**
Difference in assets and liabilities of newly consolidated subsidiaries between fair value and tax basis	**10,416**	11,521	**93,007**
Net unrealized gain on available-for-sale securities	**8,258**	7,563	**73,735**
Deferred revenues from certain finance lease transactions	**6,266**	6,127	**55,947**
Other	**6,147**	4,784	**54,885**
Total deferred tax liabilities	**96,372**	76,355	**860,471**
Less deferred tax assets	**(54,042)**	(42,019)	**(482,521)**
Net deferred tax liabilities	**¥42,330**	¥34,335	**$377,949**

Certain subsidiaries of the Company have tax loss carryforwards as above and those will mainly begin to expire in 2031.

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, 2017, with the corresponding figures for 2016, is as follows:

	2017	2016
Normal effective statutory tax rate	**30.9%**	33.1%
Amortization of goodwill	**2.0**	2.2
Difference in tax rates of foreign subsidiaries	**1.6**	0.7
Other — net	**0.9**	2.4
Actual effective tax rate	**35.4%**	38.4%

20. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Due within one year	**¥2,496**	¥2,234	**$22,287**
Due after one year	**7,963**	2,645	**71,102**
Total	**¥10,459**	¥4,880	**$93,389**

21. 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 22.

(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 22 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. Reports regarding foreign exchange risk status are made to the ALM Committee and the Risk Management Committee.

(iii) Price fluctuation risk management

Price fluctuation risk for 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 of the Company 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, 2017 and 2016, was ¥13,645 million ($121,832 thousand) and ¥10,853 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, 2017 and 2016, see Note 22 for fair value information for on derivatives.

	Millions of yen		
March 31, 2017	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	**¥95,263**	**¥95,263**	
Time deposits other than cash equivalents	**6,747**	**6,747**	
Receivables:			
Installment sales	**273,133**		
Deferred profit on installment sales	**(20,225)**		
Allowance for doubtful receivables	**(654)**		
Sub-total	**252,252**	**268,302**	**¥16,050**
Receivables:			
Loans	**1,245,555**		
Allowance for doubtful receivables	**(5,742)**		
Sub-total	**1,239,813**	**1,289,308**	**49,495**
Lease receivables and investments in leases	**1,514,767**		
Residual values of investments in leases	**(44,302)**		
Allowance for doubtful receivables	**(1,512)**		
Sub-total	**1,468,953**	**1,548,081**	**79,128**
Marketable and investment securities	**61,099**	**61,099**	
Long-term receivables	**34,144**		
Allowance for doubtful receivables	**(16,276)**		
Sub-total	**17,868**	**17,868**	
Total	**¥3,141,998**	**¥3,286,672**	**¥144,673**

Short-term loans from banks and other financial institutions	**¥545,818**	**¥545,818**	
Commercial paper	**835,900**	**835,900**	
Notes and accounts payable — trade	**100,070**	**100,070**	
Bonds	**773,530**	**770,204**	**¥(3,326)**
Loans from the securitizations of the minimum future rentals on lease contracts	**137,484**	**138,217**	**733**
Long-term loans from banks and other financial institutions	**1,849,340**	**1,842,290**	**(7,049)**
Total	**¥4,242,143**	**¥4,232,501**	**¥(9,642)**

	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, 2017	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	**$850,571**	**$850,571**	
Time deposits other than cash equivalents	**60,242**	**60,242**	
Receivables:			
Installment sales	**2,438,687**		
Deferred profit on installment sales	**(180,585)**		
Allowance for doubtful receivables	**(5,847)**		
Sub-total	**2,252,254**	**2,395,558**	**$143,303**
Receivables:			
Loans	**11,121,030**		
Allowance for doubtful receivables	**(51,268)**		
Sub-total	**11,069,761**	**11,511,685**	**441,923**
Lease receivables and investments in leases	**13,524,712**		
Residual values of investments in leases	**(395,555)**		
Allowance for doubtful receivables	**(13,501)**		
Sub-total	**13,115,655**	**13,822,157**	**706,501**
Marketable and investment securities	**545,534**	**545,534**	
Long-term receivables	**304,865**		
Allowance for doubtful receivables	**(145,324)**		
Sub-total	**159,541**	**159,541**	
Total	**$28,053,561**	**$29,345,291**	**$1,291,729**
Short-term loans from banks and other financial institutions	**$4,873,380**	**$4,873,380**	
Commercial paper	**7,463,392**	**7,463,392**	
Notes and accounts payable — trade	**893,485**	**893,485**	
Bonds	**6,906,522**	**6,876,821**	**$(29,700)**
Loans from the securitizations of the minimum future rentals on lease contracts	**1,227,536**	**1,234,082**	**6,546**
Long-term loans from banks and other financial institutions	**16,511,965**	**16,449,024**	**(62,941)**
Total	**$37,876,283**	**$37,790,187**	**$(86,095)**

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 and 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 the same 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 22).

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 3.

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 their short-term settlement period.

Commercial paper
The carrying values of commercial paper approximate fair value because of its 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 22).

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 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 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 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 principal and interest is considered as borrowings of yen currency at a fixed rate (see Note 22).

Derivatives

Information regarding the fair value of derivatives is included in Note 22.

Financial instruments whose fair value is not readily determinable

Nonmarketable securities as of March 31, 2017 and 2016, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Shares of subsidiaries and associated companies	**¥51,258**	¥31,169	**$457,667**
Unlisted shares	**8,646**	9,994	**77,204**
Trust beneficiary interests	**2,011**	1,177	**17,961**
Silent partnership interests and other	**79,088**	71,283	**706,143**
Total	**¥141,005**	¥113,625	**$1,258,977**

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

	Millions of yen					
March 31, 2017	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	**¥95,263**					
Time deposits other than cash equivalents	**6,747**					
Receivables						
Installment sales (1)	**89,417**	**¥63,783**	**¥47,167**	**¥31,682**	**¥17,819**	**¥23,263**
Loans	**330,346**	**203,489**	**161,880**	**123,316**	**111,757**	**314,765**
Lease receivables and investments in leases (2)	**456,239**	**374,805**	**287,381**	**210,674**	**130,073**	**296,524**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**101**	**845**	**1,015**	**1**	**1,121**	**348**
Other	**4,453**	**5,650**	**9,990**	**3,143**	**5,717**	**14,115**
Total	**¥982,569**	**¥648,574**	**¥507,435**	**¥368,818**	**¥266,489**	**¥649,017**

March 31, 2016	Millions of yen 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, 2017	Thousands of U.S. dollars 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	**$850,571**					
Time deposits other than cash equivalents	**60,242**					
Receivables						
Installment sales (1)	**798,366**	**$569,493**	**$421,141**	**$282,876**	**$159,104**	**$207,706**
Loans	**2,949,520**	**1,816,869**	**1,445,360**	**1,101,038**	**997,835**	**2,810,405**
Lease receivables and investments in leases (2)	**4,073,568**	**3,346,480**	**2,565,906**	**1,881,018**	**1,161,367**	**2,647,540**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**908**	**7,546**	**9,068**	**14**	**10,014**	**3,110**
Other	**39,763**	**50,450**	**89,198**	**28,071**	**51,052**	**126,035**
Total	**$8,772,942**	**$5,790,841**	**$4,530,674**	**$3,293,019**	**$2,379,373**	**$5,794,796**

(1) Including unrealized profit of installment sales.
(2) Including unearned interest income.
(3) Long-term receivables to customers in distress, whose repayment schedule cannot be expected, are not presented in the above table.
(4) Please see Note 12 for information on the maturity of short-term borrowings and long-term debt.

22. Derivatives

Derivative transactions to which hedge accounting is not applied as of March 31, 2017 and 2016, were as follows:

	Millions of yen							
	2017				2016			
	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	**¥182**		**¥17**	**¥17**	¥378	¥189	¥18	¥18
Currency interest rate swap contracts:								
Chinese yuan payment, U.S. dollars receipt	**83**		**8**	**8**	241	86	10	10
Indonesia rupiah payment, Japanese yen receipt	**5,247**	**¥4,847**	**(92)**	**(92)**	7,070	1,644	(31)	(31)
Interest rate swap contracts:								
Fixed-rate payment, floating-rate receipt	**1,076**	**726**	**(63)**	**(63)**	2,213	1,084	(90)	(90)
Floating-rate payment, floating-rate receipt					2,000		5	5
Interest rate cap contracts:								
Buying	**1,721**	**1,491**	**23**	**(36)**	2,097	1,782	35	(37)

	Thousands of U.S. dollars			
	2017			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:				
Selling Chinese yuan	**$1,633**		**$160**	**$160**
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipt	**747**		**80**	**80**
Indonesia rupiah payment, Japanese yen receipt	**46,853**	**$43,278**	**(829)**	**(829)**
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	**9,610**	**6,482**	**(566)**	**(566)**
Floating-rate payment, floating-rate receipt				
Interest rate cap contracts:				
Buying	**15,373**	**13,320**	**212**	**(324)**

Derivative transactions to which hedge accounting is applied as of March 31, 2017 and 2016, were as follows:

	Hedged item	Millions of yen		
		2017		
		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	**¥5,400**	**¥214**	**¥583**
Indonesia rupiah payment, U.S. dollars receipt	Lease receivables, long-term loans	**3,815**	**2,262**	**168**
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	**89**		**(4)**
Buying Euro	Payables — trade (forecast transactions)	**284**		**14**
Buying U.S. dollars	Payables — trade (forecast transactions)	**21**		
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**30,219**	**19,801**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**1,075**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds	**674,750**	**647,391**	**2,192**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**6,620**	**6,620**	
Fixed-rate payment, floating-rate receipt	Long-term loans	**203,280**	**196,738**	

	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	Thousands of U.S. dollars 2017 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	**$48,222**	**$1,918**	**$5,211**
Indonesia rupiah payment, U.S. dollars receipt	Lease receivables, long-term loans	**34,064**	**20,198**	**1,502**
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	**798**		**(36)**
Buying Euro	Payables — trade (forecast transactions)	**2,541**		**131**
Buying U.S. dollars	Payables — trade (forecast transactions)	**187**		**(8)**
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**269,820**	**176,801**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**9,604**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds	**6,024,555**	**5,780,284**	**19,575**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**59,107**	**59,107**	
Fixed-rate payment, floating-rate receipt	Long-term loans	**1,815,003**	**1,756,592**	

The fair values of derivative transactions are measured at the forward foreign exchange quotation, the offered price by financial institutions, or the price calculated according to the 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, 2017 and 2016, and included in the fair value of hedged items.

23. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net unrealized loss on available-for-sale securities:			
Gains (losses) arising during the year	**¥644**	¥(5,835)	**$5,757**
Reclassification adjustments to loss	**(2,072)**	(303)	**(18,503)**
Amount before income tax effect	**(1,427)**	(6,138)	**(12,746)**
Income tax effect	**(700)**	2,400	**(6,254)**
Total	**(2,128)**	(3,738)	**(19,001)**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	**8,779**	(10,586)	**78,386**
Reclassification adjustments to profit	**3,538**	4,404	**31,590**
Amount before income tax effect	**12,317**	(6,182)	**109,976**
Income tax effect	**(4,031)**	1,841	**(35,992)**
Total	**8,286**	(4,340)	**73,984**
Foreign currency translation adjustments:			
Adjustments arising during the year	**(7,406)**	(7,921)	**(66,126)**
Reclassification adjustments to profit		151	
Amount before income tax effect	**(7,406)**	(7,770)	**(66,126)**
Income tax effect			
Total	**(7,406)**	(7,770)	**(66,126)**
Defined retirement benefit plans:			
Adjustments arising during the year	**566**	(5,418)	**5,057**
Reclassification adjustments to profit	**708**	356	**6,325**
Amount before income tax effect	**1,274**	(5,061)	**11,382**
Income tax effect	**(390)**	1,523	**(3,485)**
Total	**884**	(3,538)	**7,897**
Share of other comprehensive income in associates:			
Gains (losses) arising during the year	**13**	(795)	**121**
Reclassification adjustments to profit	**69**	31	**619**
Total	**82**	(763)	**740**
Total other comprehensive income	**¥(280)**	¥(20,151)	**$(2,505)**

24. 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, 2016, the Company applied the practical solution as discussed in Note 2.h. 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, 2017	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	**¥588,119**	**¥250,767**	**¥838,886**		**¥838,886**
Intersegment revenue or transfers	**351**	**617**	**968**	**¥(968)**	
Total	**588,470**	**251,384**	**839,855**	**(968)**	**838,886**
Segment profit	**41,257**	**46,780**	**88,037**	**(8,925)**	**79,112**
Segment assets	**2,945,908**	**2,294,966**	**5,240,875**	**147,969**	**5,388,844**
Other items:					
Depreciation	**7,748**	**106,241**	**113,989**	**193**	**114,183**
Amortization of goodwill	**2,946**	**2,824**	**5,771**		**5,771**
Investments in equity method affiliates	**21,806**	**20,411**	**42,217**		**42,217**
Increase in property and equipment and intangible assets	**869**	**421,857**	**422,727**	**1,880**	**424,607**

	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

Year Ended March 31, 2017	Thousands of U.S. dollars				
	Reportable segment				
	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	$5,251,066	$2,238,993	$7,490,059		$7,490,059
Intersegment revenue or transfers	3,133	5,514	8,648	$ (8,648)	
Total	5,254,200	2,244,507	7,498,708	(8,648)	7,490,059
Segment profit	368,370	417,678	786,049	(79,691)	706,357
Segment assets	26,302,753	20,490,775	46,793,528	1,321,156	48,114,684
Other items:					
Depreciation	69,181	948,583	1,017,764	1,728	1,019,492
Amortization of goodwill	26,310	25,218	51,529		51,529
Investments in equity method affiliates	194,700	182,242	376,942		376,942
Increase in property and equipment and intangible assets	7,762	3,766,587	3,774,349	16,785	3,791,135

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.

4. Information about products and services

	Millions of yen				
	2017				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥692,125	¥92,232	¥33,655	¥20,872	¥838,886

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

	Thousands of U.S. dollars				
	2017				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	$6,179,696	$823,505	$300,492	$186,365	$7,490,059

5. Information about geographical areas

(1) Revenues

Millions of yen					
2017					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥695,279	**¥26,082**	**¥44,621**	**¥57,269**	**¥15,633**	**¥838,886**

Revenues are classified by country or region based on the location of customers.

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

Revenues are classified by country or region based on the location of customers.

Thousands of U.S. dollars					
2017					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$6,207,855	**$232,879**	**$398,403**	**$511,336**	**$139,584**	**$7,490,059**

(2) Property and equipment

Millions of yen					
2017					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥567,192	**¥214,139**	**¥486,040**	**¥378,576**	**¥147,410**	**¥1,793,359**

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

Thousands of U.S. dollars					
2017					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$5,064,216	**$1,911,959**	**$4,339,649**	**$3,380,150**	**$1,316,162**	**$16,012,137**

6. Information about impairment loss for property and equipment

	Millions of Yen				
	2017				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Impairment loss				**¥1,096**	**¥1,096**

	Thousands of U.S. Dollars				
	2017				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Impairment loss				**$9,785**	**$9,785**

The amount presented in "Adjustments" is an impairment loss on Company-wide asset which are not attributed to each reportable segment. Due to the decision to stop using as a dormitory for employees and to sell the above assets, the carrying amounts of the above assets were reduced to the recoverable amount and the reduction was recorded as an impairment loss in other income (expenses).

No impairment loss was recognized in 2016.

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

	Millions of yen				
	2017				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**¥2,946**	**¥2,824**	**¥5,771**		**¥5,771**
Unamortized balance of goodwill	**27,010**	**48,774**	**75,785**		**75,785**

	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

	Thousands of U.S. dollars				
	2017				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**$26,310**	**$25,218**	**$51,529**		**$51,529**
Unamortized balance of goodwill	**241,166**	**435,488**	**676,654**		**676,654**

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

25. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2017 and 2016, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2017	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥53,157**	**889,415**	**¥59.77**	**$0.53**
Effect of dilutive securities:				
Warrants		**3,120**		
Diluted EPS				
Net income for computation	**¥53,157**	**892,535**	**¥59.56**	**$0.53**

	Millions of yen	Thousands of shares	Yen
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
Effect of dilutive securities:			
Warrants		3,089	
Diluted EPS			
Net income for computation	¥54,631	892,133	¥61.24

26. Subsequent Event

a. On May 15, 2017, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥6.75 ($0.06) per share	**¥6,004**	**$53,609**

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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, 2017 and 2016, 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, 2017 and 2016, 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, 2017

Member of
Deloitte Touche Tohmatsu Limited