Value Integrator

FINANCIAL INFORMATION 2020

For the year ended March 31, 2020

MUFG Mitsubishi UFJ Lease & Finance

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Results

In the fiscal year ended March 31, 2020, the business environment continued to be marked by future uncertainty largely due to destabilizing factors in the international situation, notably the issue of trade friction in the global economy. Although the Japanese economy showed solid progress in corporate earnings, employment, personal incomes and other positive influences, the impact of a consumption tax hike and destructive typhoons contributed to triggering a slowdown in the third quarter (October–December), with the real GDP growth rate turning negative. From January 2020, the spread of COVID-19 imposed restrictions on economic activity worldwide, inflicting major impacts on the world economy including Japan, with fears of expanding fallout going forward.

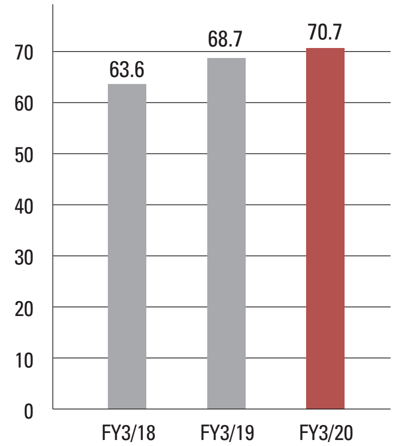
Against this background, the Mitsubishi UFJ Lease & Finance Group moved forward steadily with the various strategies set out in its Medium-Term Management Plan **Breakthrough for the Next Decade,** which was launched in April 2017, pursuing these strategies through both proactive and defensive approaches in the plan's final year, ended March 31, 2020.

These efforts were reflected in our consolidated results. Revenues in the fiscal year ended March 31, 2020, grew by ¥59.5 billion or 6.9% from the previous fiscal year to ¥923.7 billion, while gross profit increased by ¥23.6 billion or 14.9% to ¥181.9 billion on the healthy performance of the Real Estate and Aviation businesses. Operating income also expanded by ¥11.4 billion or 14.3% to ¥91.8 billion, while net income attributable to owners of the parent advanced by ¥1.9 billion or 2.8% to ¥70.7 billion. Record-high levels were thus achieved at all stages of income. ROA meanwhile stood at 1.2%.

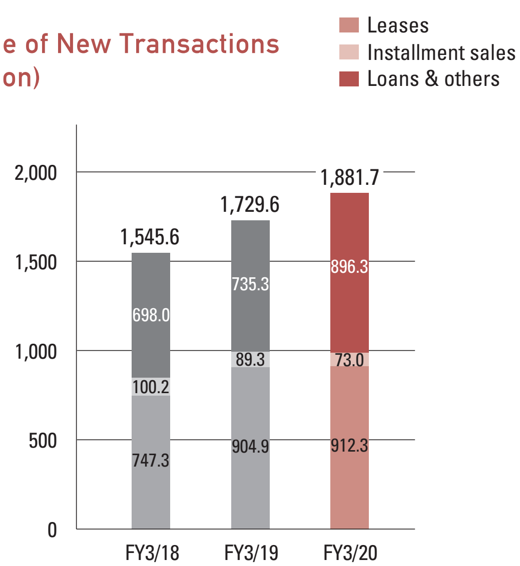
In line with the Medium-Term Management Plan, we grew our core Aviation and Real Estate businesses by promoting asset turnover. Additionally, we moved forward with the restructuring of the business portfolio led by growth potential and profitability. This enabled us to achieve two of the targets set for the final year of the Medium-Term Management Plan—net income attributable to owners of the parent of ¥63.0 billion or more and ROA of 1.1% or higher—in the plan's first fiscal year, ended March 31, 2018, and to maintain these levels in successive fiscal periods.

In the fiscal year ended March 31, 2020, the consolidation of U.S. commercial operating finance company ENGS Holdings Inc. and the accumulation of global assets contributed to an 8.8% year-on-year increase in the volume of new transactions to ¥1,881.7 billion. By business segment, this breaks down as follows: the leasing business saw a 0.8% increase to ¥912.3 billion,

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



Volume of New Transactions (¥ Billion)



the installment sales business an 18.3% decrease to ¥73.0 billion, the loans business an 18.3% increase to ¥761.1 billion, and other businesses a 47.3% increase to ¥135.2 billion.

Financial Position

As of March 31, 2020, the total assets of Mitsubishi UFJ Lease & Finance stood at ¥6,285.9 billion, an increase of ¥495.0 billion over the previous fiscal year-end. Due among other factors to the growth in net income attributable to owners of the parent, total equity increased by ¥20.2 billion from the previous fiscal year-end to ¥798.8 billion. The equity ratio fell by 0.6 of a percentage point to 12.4% due to the impact of additions to cash and time deposits at the fiscal year-end. If the balance of cash and time deposits at the fiscal year-end had remained at the previous year-end's level, the equity ratio would have stood at 12.9%, very close to that of the previous fiscal year-end. The balance of interest-bearing debt increased ¥490.3 billion from the previous fiscal year-end to ¥4,930.6 billion.

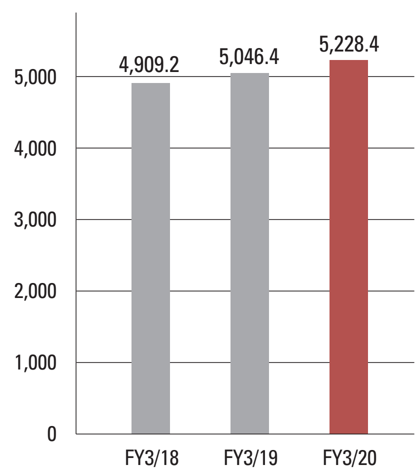
Operating activities used net cash of ¥252.1 billion compared to ¥239.4 billion used in the previous fiscal year. Here, inflows of ¥99.0 billion in income before income taxes, ¥125.1 billion in loss on disposals and sales of leased assets, and ¥139.6 billion in depreciation and amortization were set against outflows including ¥412.6 billion in purchases of leased assets, ¥47.0 billion in purchase of other operating assets, ¥32.5 billion in increase in lease receivables and investments in leases, and ¥20.5 billion in income taxes paid.

Investing activities used net cash of ¥32.9 billion compared to ¥34.0 billion used in the previous period. Here, inflows of ¥2.9 billion in proceeds from sales and redemption of investment securities and ¥3.8 billion in proceeds from sales of consolidated subsidiaries contrasted with outflows including ¥14.5 billion in purchases of investment securities, ¥20.8 billion in payments for acquisition of newly consolidated subsidiaries and ¥4.3 billion in purchases of own-used assets.

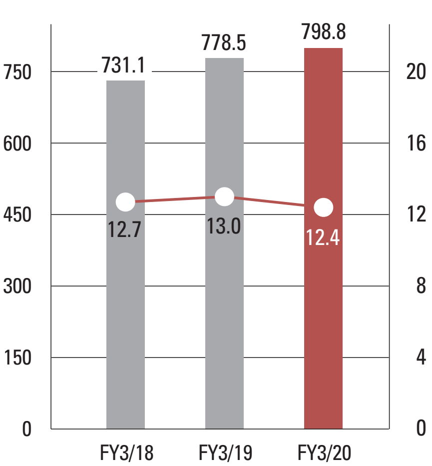
Financing activities provided net cash of ¥552.3 billion compared with a net inflow of ¥299.7 billion in the previous fiscal year. Net proceeds of ¥124.5 billion from direct financing and ¥453.4 billion from bank loans and other forms of indirect financing were set against outflows including ¥23.6 billion in cash dividends paid and ¥2.1 billion in cash dividends paid to noncontrolling interests.

As a result of these movements, cash and cash equivalents as of March 31, 2020 stood at ¥455.5 billion, an increase of ¥269.0 billion or 144.3% from the previous fiscal year-end.

Operating Assets (¥ Billion)



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



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.

To manage these potential risk factors, we operate a system whereby the division responsible for the relevant area of risk monitors and identifies issues arising from changes in the external environment and other factors. Each of these divisions holds regular discussions to review appropriate response measures and reports promptly to the Management Committee, a consultative and decision-making body that controls the execution of business. Specifically, in addition to the System Committee, Asset Liability Management (ALM) Committee, and Compliance Committee, which discuss the issues surrounding and measures to address individual risks, we operate the Risk Management Committee to undertake comprehensive and systematic management of risks affecting all operational areas. At the meetings of each of these committees, which are held quarterly and otherwise as necessary, the responsible divisions make reports on risk conditions and discuss response strategies and other relevant measures with management. Additionally, important matters at each committee are reported to and discussed by the Board of Directors.

The forward-looking statements herein are based on judgments made by the Group as of March 31, 2020.

For the related risks and our response to COVID-19, refer to "2. Other Major Risks (1) Global Pandemic Risk" and "3. Reference Information on the Fiscal Year Ending March 31, 2021 Associated with the Spread of COVID-19."

01 Major Risks Managed within Framework of Integrated Risk Management

The Mitsubishi UFJ Lease & Finance Group conducts business activities globally. The Group provides capital investments and services necessary for customer businesses through leases and other means. 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. Additionally, losses arising from inadequacy of internal processes, personnel, or systems or their failure to function, or exogenous events could impact the Group's business results and financial position.

Mitsubishi UFJ Lease & Finance engages in business operations that incorporate the framework of integrated risk management covering these envisioned risks in order to work toward sustainable growth by balancing maintenance of management soundness with improving profitability. The major risks managed within the framework of integrated risk management include credit risk, asset risk, investment risk, market risk, liquidity risk, and operational risk. Risk management is conducted on a consolidated basis.

Specifically, risk capital is allocated to the respective risk category based on the Company's risk capital management policy after quantifying each risk using risk assessment methods tailored to the characteristics of the asset or business. Reasonable risk-taking is then carried out within the scope of risk tolerance. The status of use of risk capital and the status of portfolios are regularly monitored within this risk management framework. Moreover, stress tests are performed based on multiple scenarios to verify risk resilience from various perspectives, and the results are reported to and discussed by the Risk Management Committee, the Management Committee, and the Board of Directors. By doing so, the Group works to respond appropriately to risk and enhance internal communication about risk.

(1) Credit Risk

The Mitsubishi UFJ Lease & Finance Group conducts business that extends credit over the medium-to-long term through leases, installment sales, monetary loans, and other financial services of various forms. 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. Furthermore, because the Group is engaged in business globally, it is subject to country risk in which losses may arise depending on the political and economic situations in the countries and territories where customers and investees are located.

Main Efforts to Address Risk

When considering the advisability of each deal, the Group carefully reviews the customer's credit standing using its own rating system and makes a thorough study in light of the value of the leased property, country risk, and other factors in an effort to ensure a reasonable return for the risk. Additionally, the Group continues to check the customer's credit standing on an ongoing basis even after entering into business relations and has a system in place to take the necessary steps in the event that the customer's credit standing worsens. Moreover, it engages in credit management with respect to the portfolio as a whole and considers risk diversification to ensure that credit is not concentrated with a specific customer, industry, country, territory, and so on, while striving to ensure sound management by regularly measuring the credit risk of its portfolio and monitoring to ensure that it is within a certain scope of capital.

(2) Asset Risk

In addition to general movable property, the Mitsubishi UFJ Lease & Finance Group also holds such global assets as aircraft and real estate, including buildings, and conducts a business leasing these assets in and outside Japan in the form of operating leases and others. In this business, the Group is exposed to asset risk in addition to the aforementioned credit risk, so fluctuation in revenue from asset management and disposal could impact the profitability of the leases. For this reason, when engaging in operating leases, the Group carefully assesses the future value according to asset type in addition to the customer's credit standing before working on each deal. Even after entering into business relations, the Group continues monitoring the status of the leasing and secondary markets for said assets along with the status of asset use by the leaseholder, striving to prevent risks from emerging or to mitigate their impact if they occur.

(i) Global Assets

The Group holds global assets such as aircraft and aircraft engines, ships, containers, and railway cars and conducts a business leasing these assets in and outside Japan in the form of operating leases and others. In the business related to global assets, the Group is exposed to price fluctuation risk pertaining to said assets in addition to the aforementioned credit risk. With operating leases, in addition to lease fee revenue received from the customer, the Group recovers funds by selling the asset at the end of the lease period. Additionally, in the event of a customer bankruptcy, the Group takes the asset back and recovers funds by leasing it to a different customer or selling it. As for selling assets, in addition to business trends and the financial landscape, major incidents arising from technical problems, obsolescence due to technological change, revisions to laws and regulations, increased concern over global pandemics or terrorism, natural disasters, or geopolitical risk may cause the asset selling price to fluctuate. Furthermore, recording an impairment loss or increased costs associated with property management could impact the Group's business results and financial position.

Main Efforts to Address Risk

When engaging in operating leases with global assets, the Group conducts a comprehensive review that includes a checklist for deals involving movable property and future asset liquidity before working on each deal and endeavors to ensure a reasonable return for the credit risk and asset value fluctuation risk. Furthermore, the Group has established internal investment criteria to maintain a portfolio with risk diversification taken into account, including applicable models, regions, and time of expiration. Moreover, the Group continues to check the customer's credit standing and industry trends on an ongoing basis even after entering into business relations and has a system in place to take the necessary steps in the event that the customer's credit standing worsens, such as collecting a deposit from the customer to cover asset wear and tear as necessary. Additionally, the Group regularly holds warning sign management meetings at business divisions and risk management divisions for each major asset category to review applicable industry trends and signs of problems that could impact asset value fluctuation. The Group also regularly measures customer credit risk and the risk of fluctuations in the value of assets in its portfolio to monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

(ii) Real Estate

The Group is engaged in investment in and financing and leasing of commercial real estate such as offices, housing, commercial facilities, logistics facilities, and hotels in and outside Japan, and these assets are subject to revenue fluctuation risk and price fluctuation risk. In the real estate-related business, in addition to lease fee revenue from tenants, the Group recovers funds by selling those assets that are not long-term holdings at the right time. Lease fee revenue and revenue from sale of assets may fluctuate depending on the market environment, such as business trends, the financial landscape, and the lease market in the specific location of the asset, and this could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group makes a careful decision based on a comprehensive review of future asset value and liquidity before working on each deal and endeavors to ensure a reasonable return for the asset value fluctuation risk. Furthermore, the Group continues to check the status of asset management, price trends, and industry trends on an ongoing basis even after entering into business relations and has a system in place to maximize revenue. Additionally, the Group regularly holds warning sign management meetings at business divisions and risk management divisions to review industry trends and signs of problems that could impact asset value fluctuation. The Group also regularly measures the risk of fluctuations in the value of assets in its portfolio to monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

(3) Investment Risk

The Mitsubishi UFJ Lease & Finance Group is engaged in investment in and financing of projects such as solar power generation and other renewable energy businesses and an overseas infrastructure business as well as various business investing activities, including loans to operating companies and funds. These investing activities are subject to such risks as risk of changes in the business environment including business fluctuations and declining demand, risk of revenue falling below the plan due to sluggish performance of investees or partners, risk of diminished recoverability of the investment amount, risk of investee stock value falling below a certain level, and risk of investee stock value staying below a certain level for a considerable period of time due to sudden changes in the economic or financial situation or a major disruption of the financial markets regardless of the investee's performance. These risks could result in a total or partial loss of the investment or create the necessity of additional funding. In addition, there are the risk that the Group may be unable to exit or restructure the business at the desired time or using the desired method due to differences with the partner's management policy or low liquidity of the investment asset and the risk that the Group may be disadvantaged by not being able to obtain relevant information from the investee, and these risks could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group holds investment meetings according to the individual investment amounts and severity of risk to gather the opinions of the relevant departments and makes a careful decision based on a comprehensive review of future investment value and liquidity from a broad point of view when considering each investment, thereby endeavoring to ensure a reasonable return for the investment value fluctuation risk. Additionally, the Group continues to check the status of investment management and industry trends on an ongoing basis even after entering into business relations and has a system in place to maximize revenue. The Group also regularly measures the risk of fluctuations in the value of investments in its portfolio to monitor whether it is within a certain scope of capital, in an effort to ensure sound management.

(4) Market Risk

(i) 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. Most of these basically do not fluctuate during the contract term. Acquisition funds for the leased property, on the other hand, are procured at both fixed and variable interest rates for fundraising diversification and reduction of funding costs, and the cost of capital is affected by fluctuations in the market interest rate. As such, a sharp rise in the market interest rate resulting from sudden changes in the financial situation could impact the Group's business results and financial position.

(ii) Exchange Rate Fluctuation Risk

The Group actively conducts business outside Japan, and as foreign currency-denominated assets increase, so does their percentage of consolidated operating assets. The financial statements 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. As such, although fundraising is, in principle, conducted in the same currency as the asset, should a large fluctuation occur in exchange rates, it could impact the Group's business results and financial position in Japanese yen terms.

Main Efforts to Address Risk

The Group constantly watches movements in the financial markets and, as needed, monitors through ALM any imbalances in the form of interest rates or currency exchange for asset management and for procurement of funds. It then manages interest rate fluctuation risk through appropriate hedge operations while taking interest rate movements into account. To address exchange rate fluctuation risk, in principle, the Group raises funds in the same currency as the operating asset in an effort to minimize loss on currency valuation of assets. The Group also regularly measures the quantitative risk of the position of portfolio holdings incurring a loss over a certain period of time at a certain probability and to what extent in the event that interest or currency exchange rates take a disadvantageous turn based on past statistics and monitors whether it is within a certain scope of capital, in an effort to ensure sound management. Moreover, the ALM Committee meets quarterly or as necessary and determines the ALM policy based on such factors as trends in the financial market environment and the risk situation.

(5) Liquidity Risk

When engaging in acquisition of lease properties for leases, installment sales, and monetary lending, the Mitsubishi UFJ Lease & Finance Group raises a large amount of funds in Japanese yen and other currencies. The Group attempts to balance the period of leases and other credit transactions and investments with the period of fundraising, but should it 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.

Main Efforts to Address Risk

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 securitization 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. Additionally, the Group conducts stage-by-stage management of liquidity, checking the status to ensure that the immediately necessary funds can be secured, including funds for repayment, even if the fundraising environment deteriorates, and reporting to the ALM Committee.

The ALM Committee engages in comprehensive and systematic management of market risk (4) and liquidity risk (5), including warning signs, monitoring the current status of risks and the issues, and discussing the policy for responding to those risks, such as diversification of fundraising and liquidity risk management. The committee reports on the status of interest rate risk, market risk (interest rates, exchange rates, etc.), and stage-by-stage determination of liquidity risk within the Group.

(6) 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, and other factors could cause a failure to achieve expected results or result in the need to record additional expenses, such as impairment of goodwill recorded at the time of an M&A. Such a situation could impact the Group's business results and financial position.

Main Efforts to Address Risk

In addition to review by the relevant departments according to the individual investment amounts and severity of risks, the Group brings in outside experts for a comprehensive review of future investment effect from a broad point of view when considering each M&A or partnership deal. Even after an M&A deal is executed, the Group's rules are applied to establish a system for proper operational management, and monitoring is carried out on the business plan, results management, and other aspects so that the necessary actions can be taken in a timely manner.

(7) Operational Risk

(i) Risk Related to Earthquakes, Wind and Flood Damage, Pandemics, Terrorism, etc.

The Mitsubishi UFJ Lease & Finance Group uses facilities, including sites and systems, in and outside Japan to conduct its operations. Earthquakes, wind and flood damage, or other natural disasters as well as pandemics, terrorism, or other unpredictable circumstances could cause a reduction of activities or prevent operations at those sites by damaging the sites themselves or the systems or by injuring employees or preventing them from coming to work, thereby disrupting business operations. Moreover, depending on the extent of the damages or how long the event lasts, a large sum of money could be required to restore the systems or other facilities, or it may take a long time for business operations to recover. Such a situation could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group has established responsible departments depending on the envisioned risk to prepare for such circumstances and has a system in place to establish a crisis response headquarters to respond to a critical situation. The Group is also working to establish a system for business continuity by putting together a business continuity plan, implementing redundancy measures for backbone systems, establishing a system infrastructure that allows work from home, and implementing office shifts limited to operations that must continue.

(ii) System Risk

The Group utilizes e-mail as well as a variety of information systems to conduct account processing, management of various contracts, customer management, asset management of leased properties, and other operations. An outage or failure of these information systems arising from poor maintenance, poor development, or other such problems could cause an interruption of contract and collection operations or services provided to customers, which in turn could cause a suspension of operating activities and economic loss, thereby impacting the Group's business results and financial position.

Main Efforts to Address Risk

The Group has a system in place to properly manage and maintain these systems through internal cooperation and partnership with other companies in order to ensure their stable operation. The Group is equipped with an integrated response system for failures that includes swift action and sharing of information internally and externally where the failure occurs as well as establishment and implementation of measures to prevent subsequent recurrence. Additionally, Group-wide IT control is implemented for system development at the Group companies in Japan and other countries by using standardized methods as part of a proprietary process.

(iii) Cybersecurity Risk and Information Security Risk

The Group utilizes e-mail as well as a variety of information systems to conduct account processing, management of various contracts, customer management, asset management of leased properties, and other operations. These information systems are subject to risk of business e-mail scams, computer virus infections, unauthorized access by outside parties, and other cyberattacks. Unauthorized access by outside parties, computer virus infections, human error, fraud, scams, and other problems could result in system outages or failures, monetary damages, leaks or unauthorized use of confidential information or customer information, or other incidents. These could cause an interruption of contract and collection operations or services provided to customers, which in turn, could cause a suspension of operating activities, economic loss, or loss of social confidence from leakage of important information, thereby impacting the Group's business results and financial position.

Main Efforts to Address Risk

The Group has established a cross-organizational Computer Security Incident Response Team (MUL-CSIRT) to address these risks and has a system in place to prevent incidents at the entrance, internal, and exit stages and respond to them if they occur. Specifically, in preparation for cyberattacks that exploit vulnerabilities, the Group keeps software up to date to detect unauthorized access, computer viruses, and other cyberattacks and maintains management preparedness to prevent problems. At the same time, the Group has established an internal and external coordination system and conducts drills to prepare for incidents. Moreover, targeted e-mail training is provided for all employees, and internal education on information security is carried out on an ongoing basis.

(iv) Compliance Risk

The Group's operations are subject to a range of relevant legislation in and outside Japan. As the primary examples, 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. 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.

Main Efforts to Address Risk

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 money laundering, funding of terrorism, and fraud in an effort to further strengthen its compliance system.

(v) System Change Risk

The Group's operations are subject to a range of relevant legislation, accounting and tax regulations, and other systems in and outside Japan. Should there be substantial changes or revisions to any of the various systems closely related to the Group's operations that the Group was unable to properly address, there could be penalties for nonconformance, suspension of product offering, restrictions on business activities, sales losses, or other negative consequences that could impact the Group's business results and financial position.

Main Efforts to Address Risk

The Group's corporate centers, business divisions, area companies, and sites in each country continuously monitor revisions and changes to the various systems in and outside Japan, such as legal, accounting, and tax systems, applying to the relevant country and services. In addition, the Group gathers information on and implements measures to address changes and revisions as quickly as possible while reinforcing such monitoring by actively utilizing outside experts.

(vi) Administrative Risk

The Group conducts transactions in various forms, and various administrative work arises with each transaction. Improper administrative work, including human error, fraud, and other irregularities, could cause an interruption of contract and collection operations or services provided to customers, which in turn could cause a suspension of operating activities or loss of customer trust, thereby impacting the Group's business results and financial position.

Main Efforts to Address Risk

The Group has established administrative rules for each transaction and conducts business according to these rules while reviewing them as needed. Additionally, an internal reporting system is in place for internal administrative incidents. Should such an incident occur, the system includes internal reporting, swiftly addressing the incident, identifying the cause, and establishing/implementing measures to prevent recurrence.

02 Other Major Risks

As described in "1. Major Risks Managed within Framework of Integrated Risk Management," the Mitsubishi UFJ Lease & Finance Group manages reasonably envisioned risks within an integrated risk management framework. The Group also recognizes major risks that exceed the scope of reasonable assumptions or are difficult to reasonably envision as below. If the Group recognizes the possibility of such a risk emerging, it analyzes the status and outlook of the risk, the impact on each risk managed within the integrated risk management framework, and combined impact on multiple risks, and establishes a response policy. In addition, the Group carries out stress tests envisioning new or multiple scenarios as necessary and performs a multifaceted verification of risk resilience.

(1) Global Pandemic Risk

Should a global pandemic arise, negative consequences such as broad disruption of the supply chain, temporary restrictions on or suspension of economic activity by each national government, and damage to industrial systems or financial functions could impact a wide range of customers or businesses utilizing the assets of the Mitsubishi UFJ Lease & Finance Group. This may result in customer bankruptcies or a drop in the value of the Group's asset holdings, which could impact the Group's business results and financial position.

With the spread of COVID-19 beginning in January 2020, the Group determined that the possibilities of the occurrence of risks beyond what was previously assumed had increased. The Group established a crisis response headquarters in February 2020 to prepare a global response system and worked to prepare a business continuity system and take action to raise funds.

(i) Business Continuity System

The Company already established a system infrastructure during the period of the previous Medium-Term Management Plan to allow officers and employees to work from home and launched the work from home system in October 2018. In response to the spread of COVID-19, eligibility for the system was expanded in March 2020, and the infrastructure was reinforced, including enhancement of the internet connection. Then, in response to the declaration of a state of emergency by the national government on April 7, the Company shifted all officers and employees, in principle, to the work from home system.

After the state of emergency was lifted, the work from home system was partially relaxed, but efforts to prevent the spread of the virus continue, including maintaining work-from-home-centered business activities as much as possible.

(ii) Actions Taken with Respect to Fundraising

Even during the spread of COVID-19 beginning in January 2020, the Group prospectively worked to secure long-term financing and liquidity, including issuing ¥32 billion in straight domestic bonds and U.S.$800 million in dollar bonds in April 2020, implementing a financial strategy that addressed changes in the financial environment. While maintaining financial discipline, the Group studied the possible developments based on warning sign management and proactively raised the funds necessary for operating activities. In addition to indirect financing, the Group engaged in steady and continuous fundraising through the capital markets in and outside Japan.

Additionally, the total balance of unused commitment lines at multiple financial institutions as of March 31, 2020 was ¥487.7 billion, so the Group maintains sufficient liquidity.

(2) Climate Change Risk

Should climate change occur that has a major impact on society, the scale and frequency of natural disasters would increase. If the Mitsubishi UFJ Lease & Finance Group and its customers were unable to adapt to the regulatory changes, technical innovation, or shift in business models for preventing the negative effects of climate change, or if the business model or business infrastructure and tools changed dramatically resulting in customer bankruptcy due to a drop in performance or loss of assets or a drop in the value of assets held by the Group or loss of property, it could impact the Group's business results and financial position.

(3) Risk Associated with Expansion of Business Domains

The Mitsubishi UFJ Lease & Finance Group is expanding the scope of its operations on a global basis, including new business domains, within the scope permissible under laws, regulations, and various other conditions. Should risks emerge within that process that exceed the scope of reasonable assumptions despite verification of the risks along with our knowledge and experience in the expanded business domain, or if the expanded business does not develop as envisioned, it could impact the Group's business results and financial position.

(4) Intensifying Competition

Competition in the leasing and other businesses of the Mitsubishi UFJ Lease & Finance Group conducted in and outside Japan could intensify not only from companies in the same business but also from financial institutions and others, or the competitive landscape could change due to a shift in business models of other industries, technical innovation, or other factors. The Group makes various efforts to maintain and strengthen its competitiveness, including by offering greater added value to its customers and creating value as an asset holder 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.

(5) 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 adequately secure and train the needed personnel this could impact the Group's business results and financial position.

03 Reference Information on the Fiscal Year Ending March 31, 2021 Associated with the Spread of COVID-19

As described in "1. Major Risks Managed within Framework of Integrated Risk Management," the Mitsubishi UFJ Lease & Finance Group quantifies various risks within the integrated risk management framework to manage risk capital, and performs stress tests based on multiple scenarios therein.

The risk scenarios for these stress tests envision heavy stress from the standpoint of ensuring soundness of equity. Multiple risk scenarios have been added with respect to the impact of the spread of COVID-19 to verify risk resilience.

The reference information below takes into account the risk factors in scenarios (i) and (ii), and the Group is working to reduce risk by sorting through the things to understand and assumptions to make.

Reference Information on the Fiscal Year Ending March 31, 2021

Given the difficulty in reasonably predict the impact of the spread of COVID-19, including when it will diminish, our consolidated results forecast for the fiscal year ending March 31, 2021 is undetermined at this time.

Assuming the following, net income attributable to owners of the parent can be preliminary calculated as a range of around ¥35 billion to ¥40 billion and we hereby announce this number as a reference information on our results. We underline that this number has been preliminary calculated from a risk management standpoint assuming certain scenarios. Accordingly, the number is not a forecast as it has not been estimated based on a reasonable outside environment outlook.

(i) The increase in the number of people infected by COVID-19 in major countries will subside by summer 2020 or later. Strict activity restrictions in major countries will peak out in the summer before getting eased gradually over the ensuing six months or so. Economic activities will progress toward a gradual return to normal through the fiscal year ending March 31, 2022.

(ii) This situation will affect the fiscal year ending March 31, 2021 results of many companies, impacting particularly such divisions as the aviation and logistics divisions among our businesses.

Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Assets			
Current assets:			
Cash and cash equivalents (Notes 11 and 23)	**¥455,588**	¥186,489	**$4,179,708**
Time deposits other than cash equivalents (Notes 11, 12, and 23)	**10,639**	9,341	**97,613**
Marketable securities (Notes 4 and 23)	**819**	3,561	**7,521**
Receivables:			
Lease	**23,757**	23,230	**217,962**
Installment sales (Notes 11 and 23)	**227,280**	265,962	**2,085,145**
Loans (Notes 11, 12, and 23)	**1,136,398**	1,114,470	**10,425,673**
Lease receivables and investments in leases (Notes 7, 11, 20, and 23)	**1,583,670**	1,579,843	**14,529,086**
Inventories (Notes 5 and 12)	**21,217**	22,120	**194,658**
Prepaid expenses and other (Notes 11 and 12)	**57,086**	65,498	**523,726**
Allowance for doubtful receivables (Note 23)	**(5,758)**	(4,829)	**(52,830)**
Total current assets	**3,510,701**	3,265,689	**32,208,267**
Property and equipment:			
Leased assets — at cost	**2,625,317**	2,473,884	**24,085,483**
Accumulated depreciation	**(599,721)**	(579,997)	**(5,502,030)**
Net leased assets	**2,025,596**	1,893,887	**18,583,453**
Advances for purchases of leased assets	**73,308**	57,034	**672,555**
Total leased assets (Notes 6, 8, and 11)	**2,098,904**	1,950,922	**19,256,008**
Other operating assets — at cost	**129,013**	72,722	**1,183,613**
Accumulated depreciation	**(8,515)**	(5,355)	**(78,120)**
Net other operating assets (Note 11)	**120,498**	67,367	**1,105,493**
Own-used assets — at cost	**14,005**	14,777	**128,495**
Accumulated depreciation	**(8,038)**	(7,752)	**(73,746)**
Net own-used assets	**5,967**	7,024	**54,748**
Total property and equipment	**2,225,371**	2,025,314	**20,416,250**
Investments and other assets:			
Investment securities (Notes 4, 11, and 23):			
Unconsolidated subsidiaries and associated companies	**141,942**	126,162	**1,302,228**
Other securities	**172,004**	162,395	**1,578,025**
Goodwill (Note 9)	**65,580**	72,163	**601,659**
Long-term receivables (Note 23)	**24,693**	27,286	**226,546**
Asset for retirement benefits (Note 14)	**30**	32	**279**
Deferred tax assets (Note 21)	**14,797**	6,879	**135,753**
Other (Note 11)	**144,676**	120,107	**1,327,303**
Allowance for doubtful receivables (Note 23)	**(13,831)**	(15,103)	**(126,892)**
Total investments and other assets	**549,894**	499,925	**5,044,903**
Total assets	**¥6,285,966**	¥5,790,929	**$57,669,421**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 11, 13, 20, and 23)	**¥454,137**	¥320,604	**$4,166,395**
Commercial paper (Notes 13 and 23)	**762,100**	742,200	**6,991,743**
Current maturities of bonds (Notes 13 and 23)	**224,536**	236,945	**2,059,970**
Current maturities of long-term loans (Notes 11, 12, 13, 20, and 23)	**329,818**	215,561	**3,025,855**
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 11, 12, 13, and 23)	**59,109**	53,908	**542,291**
Current maturities of lease obligations (Note 13)	**25,213**	24,472	**231,320**
Notes and accounts payable — trade (Note 23)	**74,918**	93,067	**687,329**
Income taxes payable	**6,924**	5,599	**63,524**
Deferred profit on installment sales (Note 23)	**12,740**	16,462	**116,885**
Other (Note 13)	**100,691**	113,652	**923,775**
Total current liabilities	**2,050,190**	1,822,474	**18,809,090**
Long-term liabilities:			
Bonds, less current maturities (Notes 13 and 23)	**945,016**	823,357	**8,669,879**
Long-term loans from banks and other financial institutions, less current maturities (Notes 11, 12, 13, 20, and 23)	**2,079,301**	1,955,842	**19,076,163**
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 11, 12, 13, and 23)	**76,671**	91,933	**703,408**
Lease obligations, less current maturities (Note 13)	**86,203**	88,509	**790,858**
Liability for retirement benefits (Note 14)	**3,463**	3,438	**31,777**
Asset retirement obligations	**21,288**	17,932	**195,308**
Deferred tax liabilities (Note 21)	**53,508**	43,135	**490,902**
Other (Notes 11 and 13)	**171,501**	165,723	**1,573,404**
Total long-term liabilities	**3,436,955**	3,189,871	**31,531,703**
Commitments and contingent liabilities (Notes 15 and 24)			
Equity (Notes 16 and 28)**:**			
Common stock — authorized, 3,200,000,000 shares in 2020 and 2019; issued, 895,834,160 shares in 2020 and 2019	**33,196**	33,196	**304,550**
Capital surplus	**167,164**	167,147	**1,533,619**
Stock acquisition rights (Note 17)	**1,507**	1,471	**13,830**
Retained earnings	**538,977**	491,963	**4,944,744**
Treasury stock — at cost, 4,761,716 shares in 2020 and 5,338,116 shares in 2019	**(1,665)**	(1,867)	**(15,283)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**10,752**	21,032	**98,650**
Deferred (loss) gain on derivatives under hedge accounting	**(5,597)**	2,431	**(51,352)**
Foreign currency translation adjustments	**36,219**	41,742	**332,285**
Defined retirement benefit plans	**(1,333)**	(1,425)	**(12,232)**
Total	**779,220**	755,692	**7,148,814**
Noncontrolling interests	**19,599**	22,890	**179,812**
Total equity	**798,820**	778,582	**7,328,627**
Total liabilities and equity	**¥6,285,966**	¥5,790,929	**$57,669,421**

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Revenues (Note 20)	**¥923,768**	¥864,224	**$8,474,938**
Costs (Note 20)	**741,804**	705,904	**6,805,542**
Gross profit	**181,964**	158,320	**1,669,396**
Selling, general, and administrative expenses (Note 18)	**90,110**	77,949	**826,700**
Operating income	**91,853**	80,371	**842,695**
Other income (expenses):			
Dividend income	**2,803**	2,299	**25,717**
Interest expense — net of interest income of ¥749 million ($6,873 thousand) in 2020 and ¥471 million in 2019 (Note 20)	**(4,099)**	(2,285)	**(37,614)**
Gain on sales of shares of subsidiaries and affiliates (Notes 3.a. and 3.c.)	**237**	1,315	**2,178**
Gain on step acquisition (Note 19)	**3,433**	969	**31,504**
Other — net	**4,869**	10,885	**44,675**
Other income — net	**7,244**	13,184	**66,460**
Income before income taxes	**99,097**	93,555	**909,155**
Income taxes (Note 21)**:**			
Current	**20,642**	19,227	**189,380**
Deferred	**6,288**	4,198	**57,696**
Total income taxes	**26,931**	23,425	**247,077**
Net income	**72,166**	70,129	**662,078**
Net income attributable to noncontrolling interests	**1,411**	1,333	**12,952**
Net income attributable to owners of the parent	**¥70,754**	¥68,796	**$649,125**

	Yen		U.S. dollars
	2020	2019	**2020**
Amounts per share of common stock (Note 27)**:**			
Basic net income	**¥79.44**	¥77.28	**$0.72**
Diluted net income	**79.14**	76.99	**0.72**
Cash dividends applicable to the year	**25.00**	23.50	**0.22**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Net income	**¥72,166**	¥70,129	**$662,078**
Other comprehensive income (Note 25)**:**			
Net unrealized loss on available-for-sale securities	**(10,321)**	(1,896)	**(94,689)**
Deferred loss on derivatives under hedge accounting	**(8,400)**	(1,275)	**(77,069)**
Foreign currency translation adjustments	**(5,351)**	(1,168)	**(49,094)**
Defined retirement benefit plans	**(10)**	1,890	**(92)**
Share of other comprehensive income (loss) in associates	**213**	(961)	**1,956**
Total other comprehensive loss	**(23,869)**	(3,411)	**(218,990)**
Comprehensive income	**¥48,296**	¥66,718	**$443,088**
Total comprehensive income attributable to:			
Owners of the parent	**¥47,015**	¥65,471	**$431,336**
Noncontrolling interests	**1,280**	1,246	**11,751**

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, 2020 and 2019

	Thousands				
	Number of shares of common stock issued	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, MARCH 31, 2018 (April 1, 2018, as previously reported)	895,834	¥33,196	¥167,187	¥1,380	¥441,604
Cummulative effect of accounting change (Note 2.r.)					(746)
BALANCE, APRIL 1, 2018 (as restated)	895,834	33,196	167,187	1,380	440,857
Net income attributable to owners of the parent					68,796
Cash dividends					(17,802)
Disposal of treasury stock (453,100 shares)			(5)		
Adjustment of retained earnings for newly consolidated subsidiaries					112
Change in ownership interest due to capital increase of consolidated subsidiaries			(35)		
Net change in the year				91	
BALANCE, MARCH 31, 2019	**895,834**	**33,196**	**167,147**	**1,471**	**491,963**
Net income attributable to owners of the parent					**70,754**
Cash dividends					**(23,601)**
Disposal of treasury stock (576,400 shares)			**14**		
Adjustment of retained earnings for newly consolidated subsidiaries					**(139)**
Change in ownership of the parent due to transaction with noncontrolling shareholders			**2**		
Net change in the year				**35**	
BALANCE, MARCH 31, 2020	**895,834**	**¥33,196**	**¥167,164**	**¥1,507**	**¥538,977**

	Common stock	Capital surplus	Stock acquisition rights (Note 17)	Retained earnings
BALANCE, MARCH 31, 2019	**$304,550**	**$1,533,462**	**$13,504**	**$4,513,430**
Net income attributable to owners of the parent				**649,125**
Cash dividends				**(216,527)**
Disposal of treasury stock (576,400 shares)		**137**		
Adjustment of retained earnings for newly consolidated subsidiaries				**(1,284)**
Change in ownership of the parent due to transaction with noncontrolling shareholders		**20**		
Net change in the year			**326**	
BALANCE, MARCH 31, 2020	**$304,550**	**$1,533,619**	**$13,830**	**$4,944,744**

See notes to consolidated financial statements.

Millions of yen

	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
¥(2,026)	¥22,865	¥4,089	¥43,408	¥(3,249)	¥708,457	¥22,666	¥731,124
		714			(32)	(40)	(73)
(2,026)	22,865	4,804	43,408	(3,249)	708,424	22,626	731,051
					68,796		68,796
					(17,802)		(17,802)
158					153		153
					112		112
					(35)		(35)
	(1,833)	(2,372)	(1,666)	1,824	(3,957)	264	(3,692)
(1,867)	21,032	2,431	41,742	(1,425)	755,692	22,890	778,582
					70,754		70,754
					(23,601)		(23,601)
201					216		216
					(139)		(139)
					2		2
	(10,279)	(8,028)	(5,522)	92	(23,703)	(3,291)	(26,994)
¥(1,665)	¥10,752	¥(5,597)	¥36,219	¥(1,333)	¥779,220	¥19,599	¥798,820

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
$(17,133)	$192,957	$22,306	$382,954	$(13,077)	$6,932,955	$210,006	$7,142,962
					649,125		649,125
					(216,527)		(216,527)
1,850					1,987		1,987
					(1,284)		(1,284)
					20		20
	(94,306)	(73,658)	(50,669)	845	(217,463)	(30,193)	(247,657)
$(15,283)	$98,650	$(51,352)	$332,285	$(12,232)	$7,148,814	$179,812	$7,328,627

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Operating activities:			
Income before income taxes	**¥99,097**	¥93,555	**$909,155**
Adjustment for:			
Income taxes — paid	**(20,590)**	(23,146)	**(188,902)**
Depreciation and amortization	**139,626**	134,767	**1,280,972**
Reversal of allowance for doubtful receivables	**(143)**	(2,764)	**(1,320)**
Loss on disposals and sales of leased assets	**125,152**	82,894	**1,148,190**
Gain on sales of shares of subsidiaries and affiliates	**(237)**	(1,315)	**(2,178)**
Gain on step acquisition	**(3,433)**	(969)	**(31,504)**
Changes in assets and liabilities:			
Increase in receivables	**(34,756)**	(57,274)	**(318,871)**
Increase in lease receivables and investments in leases	**(32,523)**	(21,997)	**(298,384)**
Increase in operating securities and investments in private equity securities	**(17,516)**	(25,227)	**(160,704)**
(Decrease) increase in trade payables	**(14,519)**	11,263	**(133,204)**
(Decrease) increase in interest payable	**(218)**	1,236	**(2,003)**
Purchases of leased assets	**(412,643)**	(425,871)	**(3,785,720)**
Purchases of other operating assets	**(47,073)**	(28,814)	**(431,868)**
Other — net	**(32,417)**	24,262	**(297,411)**
Total adjustments	**(351,297)**	(332,958)	**(3,222,910)**
Net cash used in operating activities	**(252,199)**	(239,403)	**(2,313,754)**
Investing activities:			
Purchases of own-used assets	**(4,330)**	(6,494)	**(39,725)**
Purchases of investment securities	**(14,542)**	(19,750)	**(133,418)**
Proceeds from sales and redemption of investment securities	**2,924**	12,964	**26,826**
Payments for acquisition of newly consolidated subsidiaries	**(20,808)**	(33,753)	**(190,905)**
Proceeds from sales of consolidated subsidiaries	**3,871**	12,998	**35,521**
Other — net	**(102)**	(26)	**(941)**
Net cash used in investing activities	**(32,988)**	(34,063)	**(302,642)**
Financing activities:			
Net increase (decrease) in short-term loans	**143,201**	(45,709)	**1,313,774**
Net increase (decrease) in commercial paper	**19,900**	(30,200)	**182,568**
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	**141,750**	136,136	**1,300,465**
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	**(151,353)**	(121,549)	**(1,388,564)**
Proceeds from long-term loans	**579,134**	525,048	**5,313,157**
Repayments of long-term loans	**(268,898)**	(363,193)	**(2,466,957)**
Proceeds from issuance of bonds	**351,409**	370,132	**3,223,941**
Redemption of bonds	**(237,137)**	(156,402)	**(2,175,575)**
Cash dividends paid	**(23,601)**	(17,802)	**(216,527)**
Cash dividends paid to noncontrolling shareholders	**(2,149)**	(67)	**(19,724)**
Proceeds from share issuance to noncontrolling interest		3,400	
Other — net	**65**	(40)	**598**
Net cash provided by financing activities	**552,320**	299,752	**5,067,158**
Foreign currency translation adjustments on cash and cash equivalents	**1,670**	(758)	**15,330**
Net increase in cash and cash equivalents	**268,803**	25,527	**2,466,091**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	**294**	534	**2,701**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiary		304	
Cash and cash equivalents, beginning of year	**186,489**	160,124	**1,710,915**
Cash and cash equivalents, end of year	**¥455,588**	¥186,489	**$4,179,708**

See notes to consolidated financial statements.

Additional information

Transfer of SHINKO LEASE CO., LTD. (SHINKO LEASE) (Note 3.a.)

Proceeds from sales of consolidated subsidiaries mainly consist of the transfer of SHINKO LEASE.
On July 1, 2019, the Company transferred entire shares of SHINKO LEASE according to the share transfer agreement executed on April 23, 2019.

Reconciliation of the net cash provided by the transfer of SHINKO LEASE is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2020	2020
Current assets	¥70,922	$650,663
Fixed assets	25,506	234,005
Current liabilities	(54,098)	(496,318)
Long-term liabilities	(39,406)	(361,531)
Noncontrolling interests	(584)	(5,364)
Others	(86)	(793)
Gain on share transfer	237	2,178
Transfer amount	2,489	22,840
Cash and cash equivalents	(862)	(7,913)
Net cash provided by transfer of shares of SHINKO LEASE	¥1,627	$14,927

Acquisition of ENGS Holdings Inc. (ENGS) (Note 3.b.)

Payments for acquisition of newly consolidated subsidiaries mainly consist of the acquisition of ENGS.
On December 4, 2018, the Company acquired all of the equity interests of ENGS according to the equity purchase agreement executed on October 26, 2018.

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

	Millions of yen
	2019
Current assets	¥83,378
Fixed assets	2,325
Goodwill	13,735
Current liabilities	(53,204)
Long-term liabilities	(20,478)
Foreign currency translation adjustments	282
Acquisition cost	26,038
Cash and cash equivalents	(1,219)
Net cash paid for acquisition of ENGS	¥24,818

Transfer of MMC DIAMOND FINANCE CORPORATION (MDF) (Note 3.c.)

Proceeds from sales of consolidated subsidiaries mainly consist of the transfer of MDF.
On April 2, 2018, the Company transferred entire shares of MDF according to the share transfer agreement executed on March 27, 2018.

Reconciliation of the net cash provided by the transfer of MDF is as follows:

	Millions of yen
	2019
Current assets	¥252,620
Fixed assets	11,322
Current liabilities	(164,326)
Long-term liabilities	(88,759)
Noncontrolling interests	(5,428)
Negative goodwill	(226)
Gain on share transfer	1,315
Transfer amount	6,517
Cash and cash equivalents	(239)
Net cash provided by transfer of shares of MDF	¥6,278

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Years ended March 31, 2020 and 2019

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 2019 consolidated financial statements to conform to the classifications used in 2020.

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 ¥109 to USD1, the approximate rate of exchange at March 31, 2020.

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. dollar 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, 2020, include the accounts of the Company and its 184 (228 in 2019) 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 one (one in 2019) unconsolidated subsidiary and 42 (39 in 2019) 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 46 such collective investment vehicles in 2020 (43 in 2019).

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.

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 that 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, 2020.

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

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 ¥152,536 million ($1,399,417 thousand) in 2020 and ¥179,104 million in 2019.

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 ¥798 million ($7,326 thousand) and ¥117,963 million ($1,082,238 thousand), respectively, as of March 31, 2020, and ¥3,476 million and ¥107,981 million, respectively, as of March 31, 2019. In addition, the Companies record income from 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, 2000, 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 40 years (three to 40 years in 2019)

Furniture and equipment: Three to 20 years (three to 20 years in 2019)

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 ¥13,896 million ($127,493 thousand) and ¥14,540 million at March 31, 2020 and 2019, 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	13 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.

Among the U.S. subsidiaries that were expected to be subjected to the Japanese Controlled Foreign Company rules ("CFC") from 2019, in accordance with the enactment of the Tax Cuts and Jobs Act in 2017, some of the U.S. Limited Liability Companies will no longer be subjected to the CFC due to reasons such as the sale of leased properties. The Company reviewed the amount of deferred tax assets and deferred tax liabilities in relation to such U.S. subsidiaries.

As a result, the amount of deferred tax liabilities (net of deferred tax assets) under long-term liabilities of the accompanying consolidated balance sheet and income taxes – deferred in the consolidated statement of income each decreased by ¥4,295 million as of and for the year ended March 31, 2019, respectively.

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 mainly 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 and affiliates and available-for-sale securities denominated in foreign currencies.

Almost 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 that 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 consolidated balance sheet date, and the unrealized gains or losses are deferred until maturity in a separate component of equity.

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

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

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

r. Accounting Change

Certain foreign consolidated subsidiaries applied *Leases* (International Financial Reporting Standards ("IFRS") No. 16, issued by International Accounting Standards Board ("IASB")) for the year ended March 31, 2020. The effects of this change on the consolidated financial statements for the year ended March 31, 2020, were immaterial.

Certain foreign consolidated subsidiaries applied *Financial Instruments* (IFRS No. 9, issued by IASB) and *Revenue from Contracts with Customers* (IFRS No. 15, issued by IASB) for the year ended March 31, 2019. The effects of this change on the consolidated financial statements for the year ended March 31, 2019, were immaterial.

Certain foreign consolidated subsidiaries applying the accounting standards in the United States applied early *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (Accounting Standards Update ("ASU") 2018-02, issued by Financial Accounting Standards Board of the United States of America ("FASB") on February 14, 2018) for the year ended March 31, 2019, and the amount of the tax effects on accumulated other comprehensive income from the Tax Cuts and Jobs Act, which was enacted in the United States on December 22, 2017, was reclassified to retained earnings.

As a result of this change, "Retained earnings" decreased by ¥714 million and "Deferred gain on derivatives under hedge accounting" increased by the same amount as of April 1, 2018. There was no effect on the consolidated statement of income for the year ended March 31, 2019.

s. New Accounting Pronouncements

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) and *Implementation Guidance on Accounting Standard for Revenue Recognition* (ASBJ Guidance No. 30, March 30, 2018)

(1) Outline

The IASB and FASB jointly developed a comprehensive accounting standard for revenue recognition and issued *Revenue from Contracts with Customers* (IFRS No. 15, issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation that IFRS No. 15 has become applicable from the fiscal year beginning on or after January 1, 2018, and Topic 606 from the fiscal year beginning on or after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ's basic policy in developing the accounting standard for revenue recognition was to establish accounting standards as a starting point to adopt basic principles of IFRS No. 15 from the viewpoint of comparability of financial statements, which is one of the benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and others in Japan should be considered.

(2) Date of application

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

(3) Effect of adopting the revised accounting standards

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), *Accounting Standard for Measurement of Inventories* (ASBJ Statement No. 9, July 4, 2019), *Accounting Standard for Financial Instruments* (ASBJ Statement No. 10, July 4, 2019), and *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31, July 4, 2019)

(1) Outline
The ASBJ promoted an initiative to enhance comparability of the requirements between accounting principles generally accepted in Japan and international accounting standards, primarily in the areas of guidance on the fair values of financial instruments and their disclosures, and issued *Accounting Standard for Fair Value Measurement*, *Accounting Standard for Measurement of Inventories*, *Accounting Standard for Financial Instruments*, and *Implementation Guidance on Accounting Standard for Fair Value Measurement* considering the circumstance where the IASB and the FASB have prescribed almost the similar detailed guidance (*Fair Value Measurement* (IFRS No. 13, issued by IASB) and *Fair Value Measurement* (Accounting Standard Codification Topic 820, issued by FASB)).

The ASBJ's fundamental policies adopted for developing the *Accounting Standard for Fair Value Measurement*, *Accounting Standard for Measurement of Inventories*, *Accounting Standard for Financial Instruments*, and *Implementation Guidance on Accounting Standard for Fair Value Measurement* are, in principle, to implement all the requirements of IFRS No. 13 from the viewpoint of enhancing the comparability of the financial statements of domestic and overseas companies by prescribing unified measurement methods, and also to prescribe exceptional treatments for individual matters so that comparability would not be impaired while the accounting practices that have conventionally been adopted in Japan are taken into account.

(2) Date of application
The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

(3) Effect of adopting the revised accounting standards
The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and the effects of applying the accounting standard and guidance in future applicable periods are currently unknown.

t. Additional Information
The Japanese Government declared State of Emergency on April 7, 2020 due to the spread of COVID-19, which affected the Group's business operation.

The Group assessed the impairment of goodwill for the year ended March 31, 2020 based on the assumption that COVID-19 would have an impact on the impairment of goodwill for the year ending March 31, 2021. Further, an additional amount of allowance for doubtful receivables is recorded in order to prepare for potential credit losses to be recognized due to the COVID-19 situation after March 31, 2020.

3. Business Combinations

a. Transfer of SHINKO LEASE CO., LTD. ("SHINKO LEASE")

The Company resolved at the meeting of the Board of Directors held on April 18, 2019, to sell all shares of SHINKO LEASE, a consolidated subsidiary, and signed a share transfer agreement with Showa Leasing Co., Ltd. ("Showa Leasing") on April 23, 2019. The share transfer was completed on July 1, 2019.

(1) Outline of the share transfer

(a) Name and business of the subsidiary

Name:	SHINKO LEASE CO., LTD.
Business:	Lease, rental, purchase and sales and installment sales of various movable assets

(b) Name of the counterparty of the share transfer

Showa Leasing Co., Ltd.

(c) Reason for the share transfer

Since the Company acquired shares of SHINKO LEASE from Kobe Steel, Ltd. (“Kobe Steel”) in 2000, the Company has been operating finance businesses through SHINKO LEASE as a joint venture business with Kobe Steel, which has been providing finance function to Kobe Steel Group as well as conducting operating lease and installment sales business of construction machinery. The Company decided to enter into the share transfer agreement because the transfer of all shares of SHINKO LEASE held by the Company to Showa Leasing will provide SHINKO LEASE an opportunity to expand its strength through synergy with Showa Leasing and contribute to further development. The Company aims for further growth by improving asset efficiency through this share transfer and allocating business resources to main target industries, such as global assets and social infrastructures.

(d) Date of the share transfer

July 1, 2019

(e) Method of the share transfer

Share transfer agreement in exchange for cash

(2) Outline of accounting treatment

(a) Amount of gain on sales of shares

¥237 million ($2,178 thousand)

(b) Appropriate book value of the assets and liabilities related to the transferred business and its breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥70,922**	**$650,663**
Property and equipment, Investments and other assets	**25,506**	**234,005**
Total assets	**¥96,428**	**$884,669**
Current liabilities	**¥54,098**	**$496,318**
Long-term liabilities	**39,406**	**361,531**
Total liabilities	**¥93,505**	**$857,849**

(c) Accounting treatment

The Company presented the difference between book value and the transfer price of SHINKO LEASE as a gain on sales of shares of subsidiaries and affiliates in Other income (expenses) in the consolidated financial statement for the year ended March 31, 2020.

(3) Name of the main segment in which the subsidiary’s business was included in the Company’s segment information

Customer finance segment

(4) Estimated amount of profits and losses related to the business included in the consolidated statement of income for the year ended March 31, 2020

	Millions of yen	Thousands of U.S. dollars
Revenues	**¥7,348**	**$67,420**
Operating income	**154**	**1,421**

b. Acquisition of ENGS Holdings Inc. ("ENGS")

On October 26, 2018, the Company agreed to acquire all of the shares of ENGS, a leading commercial operating finance company that provides vendor finance solutions for transportation assets (trucks and trailers), machine tools and construction equipment, and factoring and insurance products throughout the United States, from Aquiline Financial Services Fund III L.P., operated by Aquiline Capital Partners LLC and nine other individual or institutional shareholders, the previous owners of ENGS. On December 4, 2018, the Company completed the share acquisition.

(1) Reason for the business combination

Founded in 1952, ENGS has long provided vendor finance solutions for trucks and trailers. Over the past several years, ENGS has diversified into adjacent asset verticals (machine tools and construction equipment) and financial products (factoring and insurance products), while building a sophisticated and technology-driven vendor finance platform.

The Mitsubishi UFJ Lease & Finance Group (the "Group") has focused on the United States, the largest equipment finance market in the world, as a high-priority region, implementing initiatives to expand its footprint and offerings in the region. In 2016, the Group launched a team dedicated to serving local U.S. corporations and multinationals. Further, the Company established a U.S.-based railcar leasing platform in 2017.

The addition of ENGS to the Group enables the Group to provide vendor finance solutions that respond more effectively to the customers' needs for investment in equipment in the United States.

(2) Acquisition of ENGS

(a) Outline of the business combination

1) Name and business of the acquired company

Name: ENGS Holdings Inc. (Location: United States)
Business: Vendor finance business, etc.

2) Date of the business combination

December 4, 2018

3) Legal form of the business combination

The Company established a subsidiary in the U.S. state of Delaware, which was merged by the Company into ENGS for the purpose of this business combination. The surviving company after the merger is ENGS, and in consideration of the merger, the shareholders of ENGS received cash. Shares of the established subsidiary were converted into the surviving company's shares. As a result, the surviving company, ENGS, became the Company's subsidiary.

4) Name of the company after the business combination

No change

5) Ratio of voting rights acquired

100%

6) Basis for determining the acquirer

The Company acquired the majority of the voting rights of ENGS.

(b) The period for which the operations of the acquired company are included in the Company's consolidated statement of income for the year ended March 31, 2019

Since the acquisition date is deemed to be December 31, 2018, the consolidated statement of income for the year ended March 31, 2019, does not include the results of the acquired company.

(c) Acquisition cost of the acquired company and related details of each class of consideration

	Millions of yen
Consideration: Consideration cash	¥26,038
Acquisition cost	¥26,038

(d) Amount and nature of acquisition-related costs

	Millions of yen
Advisory costs and other expenses	¥839

Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

1) Amount of goodwill

¥13,735 million

2) Reason for the goodwill incurred

Due to the expected excess earnings power expected from future business development.

3) Method and period of amortization

Straight-line amortization over 20 years

(e) Details of assets acquired and liabilities assumed at the acquisition date

	Millions of yen
Current assets	¥83,378
Property and equipment, Investments and other assets	2,325
Total assets	¥85,703
Current liabilities	¥53,204
Long-term liabilities	20,478
Total liabilities	¥73,683

(f) Estimated impact on the consolidated statement of income for the year ended March 31, 2019, assuming the business combination was completed at the beginning of the current fiscal year

	Millions of yen
Total revenues	¥7,916
Operating loss	(294)
Net loss before income taxes	(1,398)
Net loss attributable to owners of the parent	(1,132)
	Yen
Basic net loss per share	¥(1.27)

(Method of estimating the impact)
The above amounts were estimated as the difference between the amount of total revenue and income calculated with the assumption that the business combination was completed at the beginning of the current fiscal year and the amount of total revenue and income recorded in the consolidated statements of income of the Company. Also, the difference does not include amortization of goodwill for the period from the beginning of the current fiscal year to the deemed acquisition date of the business combination. The estimated amounts of the impact of the combination have not been audited.

c. Transfer of MMC DIAMOND FINANCE CORPORATION ("MDF")

The Company resolved at the meeting of the Board of Directors held on March 27, 2018, to sell all shares of MDF, a consolidated subsidiary, and signed a share transfer agreement with MITSUBISHI MOTORS CORPORATION ("MMC") on March 27, 2018. The share transfer was completed on April 2, 2018.

(1) Outline of the share transfer

(a) Name and business of the subsidiary

Name: MMC DIAMOND FINANCE CORPORATION
Business: Auto finance, auto lease, and car rental

(b) Name of the counterparty of the share transfer

MITSUBISHI MOTORS CORPORATION

(c) Reason for the share transfer

The Company has been operating auto finance businesses through MDF as a joint venture business with MMC since the Company acquired the majority of the shares of MDF, which has been operating auto finance, auto lease, and car rental businesses for customers, in 2007. The Company decided to enter into the share transfer agreement because the transfer of all shares of MDF held by the Company to MMC will contribute to further development of MDF as a captive finance company of MMC and benefit stakeholders of MDF. The Company aims for further growth by improving asset efficiency through this share transfer and allocating business resources to main target industries, such as global assets and social infrastructure.

(d) Date of the share transfer

April 2, 2018

(e) Method of the share transfer

Share transfer agreement in exchange for cash

(2) Outline of accounting treatment

(d) Amount of gain on sales of shares

¥1,315 million

(e) Appropriate book value of the assets and liabilities related to the transferred business and its breakdown

	Millions of yen
Current assets	¥252,620
Property and equipment, Investments and other assets	11,322
Total assets	¥263,943
Current liabilities	¥164,326
Long-term liabilities	88,759
Total liabilities	¥253,086

(f) Accounting treatment

The Company presented the difference between MDF's book value and the transfer price as a gain on sales of shares of subsidiaries and affiliates in Other income (expenses) in the consolidated financial statement for the year ended March 31, 2019.

(3) Name of the main segment in which the subsidiary's business was included in the Company's segment information

Customer finance segment

(4) Estimated amount of profits and losses related to the business included in the consolidated statement of income for the year ended March 31, 2019

The profits and losses of MDF are not included in the consolidated statement of income for the year ended March 31, 2019, because MDF was excluded from the scope of consolidation from April 1, 2018, the deemed share transfer date.

4. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Marketable securities	**¥819**	¥3,561	**$7,521**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**141,942**	126,162	**1,302,228**
Other securities	**172,004**	162,395	**1,578,025**
Total	**¥314,767**	¥292,119	**$2,887,775**

Marketable and investment securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Equity securities	**¥145,066**	¥146,877	**$1,330,881**
Debt securities	**10,578**	3,644	**97,049**
Trust fund investments and other	**159,123**	141,598	**1,459,844**
Total	**¥314,767**	¥292,119	**$2,887,775**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2020 and 2019, were as follows:

	Millions of yen			
March 31, 2020	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**¥32,025**	**¥27,123**	**¥(7,619)**	**¥51,529**
Debt securities	**10,491**	**87**		**10,578**
Trust fund investments and other	**50**			**50**
Total	**¥42,567**	**¥27,210**	**¥(7,619)**	**¥62,157**

	Millions of yen			
March 31, 2019	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	¥32,272	¥35,188	¥(4,613)	¥62,848
Debt securities	3,632	11		3,644
Trust fund investments and other	13,129	1,082		14,212
Total	¥49,035	¥36,282	¥(4,613)	¥80,704

	Thousands of U.S. dollars			
March 31, 2020	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**$293,815**	**$248,836**	**$(69,903)**	**$472,748**
Debt securities	**96,249**	**799**		**97,049**
Trust fund investments and other	**458**			**458**
Total	**$390,523**	**$249,636**	**$(69,903)**	**$570,256**

Marketable and investment securities whose fair value is not readily determinable as of March 31, 2020 and 2019, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments in unconsolidated subsidiaries and associated companies	¥140,624	¥124,365	$1,290,129
Available for sale:			
Equity securities	25,909	16,762	237,699
Trust beneficiary interests	1,634	2,819	14,994
Silent partnership and other	84,441	67,467	774,695
Total	¥252,609	¥211,415	$2,317,519

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Proceeds	¥9,113	¥11,964	$83,610
Realized gains	5,031	5,031	46,162
Realized losses	(6)	(849)	(59)

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Equity securities	¥322	¥323	$2,957
Trust fund investments and other	632	4	5,802
Total	¥954	¥327	$8,760

5. Inventories

Inventories as of March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Merchandise	¥11,140	¥7,400	$102,210
Real estate for resale	10,076	14,719	92,448
Total	¥21,217	¥22,120	$194,658

6. Investment Property

The Companies own certain rental properties, such as office buildings, commercial facilities, and rental residential properties, in major cities throughout Japan. The net of rental income and operating expenses for those properties was ¥11,795 million ($108,218 thousand) and ¥11,662 million for the fiscal years ended March 31, 2020 and 2019, respectively. The net gain from sales of those properties was ¥7,050 million ($64,682 thousand) for the fiscal year ended March 31, 2020.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2020 and 2019, were as follows:

Millions of yen			
2020			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
¥322,831	**¥25,912**	**¥348,744**	**¥414,532**

Millions of yen			
2019			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
¥267,759	¥55,072	¥322,831	¥376,324

Thousands of U.S. dollars			
2020			
Carrying amount (1)			Fair value (3)
Beginning of year	Net change (2)	End of year	End of year
$2,961,758	**$237,728**	**$3,199,487**	**$3,803,047**

Notes:

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

(2) Net change during the fiscal year ended March 31, 2020, was primarily attributable to a ¥40,932 million ($375,525 thousand) increase from the acquisition of real estate. Net change during the fiscal year ended March 31, 2019, was primarily attributable to a ¥54,170 million increase from the acquisition of real estate.

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

7. Lease Receivables and Investments in Leases

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2020, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2020**	**2020**
2021	**¥161,441**	**$1,481,110**
2022	**122,850**	**1,127,072**
2023	**92,608**	**849,617**
2024	**64,918**	**595,582**
2025	**37,905**	**347,758**
Thereafter	**91,631**	**840,659**
Total	**¥571,356**	**$5,241,799**

Investments in leases as of March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Gross investments in leases	**¥1,303,719**	¥1,288,401	**$11,960,732**
Residual values	**42,225**	44,708	**387,389**
Unearned interest income	**(273,477)**	(248,955)	**(2,508,963)**
Total	**¥1,072,468**	¥1,084,155	**$9,839,158**

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2020, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2020**	**2020**
2021	**¥308,156**	**$2,827,126**
2022	**252,373**	**2,315,354**
2023	**204,301**	**1,874,326**
2024	**149,819**	**1,374,491**
2025	**100,031**	**917,717**
Thereafter	**289,037**	**2,651,715**
Total	**¥1,303,719**	**$11,960,732**

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, 2020 and 2019, were immaterial.

The consolidated balance sheets' amounts of sublease contracts, including those that aim to disperse credit risks, including interest as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Lease receivables	**¥28,926**	¥28,270	**$265,384**
Investments in leases	**77,225**	80,978	**708,487**
Lease obligations	**109,186**	112,443	**1,001,708**

8. Leased Assets

The minimum future rentals on lease contracts as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Due within one year	**¥185,307**	¥182,454	**$1,700,073**
Due after one year	**817,293**	833,974	**7,498,109**
Total	**¥1,002,601**	¥1,016,429	**$9,198,182**

9. Goodwill

Goodwill as of March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Goodwill in connection with acquisition	¥14,821	¥16,939	$135,981
Consolidation goodwill	50,758	55,223	465,678
Total	¥65,580	¥72,163	$601,659

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

10. Long-Lived Assets

The Companies reviewed their long-lived assets for impairment as of March 31, 2020 and 2019. For the years ended March 31, 2020 and 2019, no impairment loss was recognized.

11. Pledged Assets

As of March 31, 2020, 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
	2020	2020
Cash, cash equivalents and time deposits other than cash equivalents	¥15,262	$140,022
Receivables — loans	23,970	219,913
Receivables — installment sales	16	151
Lease receivables and investments in leases	136,287	1,250,346
Current assets — other	892	8,187
Leased assets	564,113	5,175,352
Other operating assets	94,750	869,272
Investment securities	13,526	124,098
Investments and other assets — other	11,003	100,954
Future rentals on operating lease contracts	2,725	25,004
Total	¥862,550	$7,913,303

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Short-term loans from banks and other financial institutions	¥612	$5,622
Long-term loans from banks and other financial institutions	510,218	4,680,906
Loans from the securitizations of the minimum future rentals on lease contracts	104,312	956,993
Long-term liabilities — other	1,804	16,552
Total	¥616,948	$5,660,075

12. Nonrecourse Loans

Nonrecourse loans as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Current maturities of nonrecourse long-term loans	**¥558**	¥554	**$5,121**
Current maturities of nonrecourse loans from the securitization of the minimum future rentals on lease contracts	**4,240**	9,040	**38,906**
Nonrecourse long-term loans, less current maturities	**5,532**	6,085	**50,759**
Nonrecourse loans from the securitization of the minimum future rentals on lease contracts, less current maturities		18,655	
Total	**¥10,331**	¥34,335	**$94,787**

Pledged assets for nonrecourse loans as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Time deposits other than cash equivalents		¥734	
Receivables — loans	**¥12,688**	36,834	**$116,405**
Inventories		192	
Current assets — other		430	
Total	**¥ 12,688**	¥38,191	**$ $116,405**

13. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Short-term loans from banks and other financial institutions:			
0.82%	**¥454,137**		**$4,166,395**
1.03%		¥320,604	
Commercial paper:			
0.01%	**¥762,100**	¥742,200	**$6,991,743**

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Bonds:			
Bonds without collateral:			
Due 2020-2036, 0.001%-0.890%	**¥655,000**		**$6,009,174**
Due 2019-2036, 0.001%-0.890%		¥485,000	
U.S. dollar bonds without collateral:			
Due 2022-2024, 2.652%-3.960%	**195,894**	199,782	**1,797,192**
U.S. dollar bonds issued under the MTN program:			
Due 2020-2021, 2.250%-2.750%	**108,805**		**998,219**
Due 2019-2021, 2.250%-3.547%		221,902	
Euroyen bonds issued under the MTN program:			
Due 2020-2024, 0.015%-0.180%	**98,100**		**900,000**
Due 2019-2023, 0.015%-0.180%		89,900	
Bonds without collateral issued by Hirogin Lease Co., Ltd.:			
Due 2020-2022, 0.050%-0.078%	**7,000**	7,000	**64,220**
Bond without collateral issued by Shutoken Lease Co., Ltd.:			
Due 2022, 0.480%	**64**	88	**587**
Bond without collateral issued by DFL Lease Co., Ltd.:			
Due 2024, 0.320%	**100**		**917**
Bond without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2023-2024, 0.130% - 0.260%	**3,044**		**27,934**
Due 2023, 0.260%		1,518	
U.S. dollar bonds without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2022, 1.894% - 1.904%	**3,303**		**30,303**
Due 2019-2022, 2.629%-2.842%		5,004	
Thai baht bond without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd.:			
Due 2021, 2.420%	**3,630**	3,410	**33,302**
Indonesia rupiah bond without collateral issued by PT. Mitsubishi UFJ Lease & Finance Indonesia:			
Due 2019, 8.500%		2,296	
U.S. dollar bonds without collateral issued by Jackson Square Aviation Ireland Ltd.:			
Due 2024-2028, 3.520%-3.990%	**32,868**	33,300	**301,541**
U.S. dollar bonds without collateral issued by Engine Lease Finance Corporation:			
Due 2026-2031, 4.480%-4.730%	**21,912**		**201,027**
Due 2026-2030, 4.480%-4.730%		11,100	
U.S. dollar bonds issued under the MTN program by MUL Asset Finance Corporation			
Due 2022-2030, 1.822 % -2.889%	**39,831**		**365,429**
Total	**¥1,169,553**	¥1,060,302	**$10,729,849**

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 1.41%	**¥329,259**		**$3,020,733**
Due 2021-2039, 1.67%	**2,073,769**		**19,025,404**
Due within one year, 1.68%		¥215,006	
Due 2020-2038, 1.81%		1,949,756	
Total	**¥2,403,029**	¥2,164,763	**$22,046,138**
Nonrecourse loans:			
Due within one year, 2.82%	**¥558**		**$5,121**
Due 2021, 2.82%	**5,532**		**50,759**
Due within one year, 2.98%		¥554	
Due 2020-2021, 2.98%		6,085	
Total	**¥6,090**	¥6,640	**$55,880**
Nonrecourse loans from the securitization of the minimum future rentals on lease contracts:			
Due within one year, 3.50%	**¥4,240**		**$38,906**
Due within one year, 2.86%		¥9,040	
Due 2020-2022, 3.61%		18,655	
Total	**¥4,240**	¥27,695	**$38,906**
Lease obligations, including fixed interests:			
Due within one year	**¥25,213**		**$231,320**
Due 2021-2037	**86,203**		**790,858**
Due within one year		¥24,472	
Due 2020-2037		88,509	
Total	**¥111,417**	¥112,981	**$1,022,179**
Loans from the securitizations of the minimum future rentals on lease contracts:			
Due within one year, 0.18%	**¥54,868**		**$503,385**
Due 2021-2029, 0.52%	**76,671**		**703,408**
Due within one year, 0.15%		¥44,868	
Due 2020-2029, 0.52%		73,278	
Total	**¥131,540**	¥118,146	**$1,206,793**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥52**		**$483**
Due 2021-2035	**1,426**		**13,089**
Due within one year		¥615	
Due 2020-2035		8,936	
Total	**¥1,479**	¥9,551	**$13,572**

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, 2020 and 2019.

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, 2020, the Company has not received any such request.

Annual maturities of long-term debt as of March 31, 2020, for the next five years were as follows:

	Millions of yen				
March 31, 2020	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 .	**¥454,137**				
Commercial paper	**762,100**				
Bonds.........................	**224,536**	**¥201,696**	**¥156,235**	**¥173,352**	**¥134,026**
Long-term loans from banks and other financial institutions .	**329,259**	**330,052**	**406,314**	**327,483**	**296,517**
Nonrecourse loans	**558**	**5,532**			
Nonrecourse loans from the securitization of the minimum future rentals on lease contracts...................	**4,240**				
Lease obligations........	**25,213**	**22,640**	**18,936**	**15,044**	**11,099**
Loans from the securitizations of the minimum future rentals on lease contracts and other....	**54,921**	**34,670**	**25,198**	**16,365**	**767**
Total	**¥1,854,968**	**¥594,592**	**¥606,684**	**¥532,245**	**¥442,411**

	Thousands of U.S. dollars				
March 31, 2020	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 .	**$4,166,395**				
Commercial paper	**6,991,743**				
Bonds.........................	**2,059,970**	**$1,850,423**	**$1,433,350**	**$1,590,389**	**$1,229,597**
Long-term loans from banks and other financial institutions .	**3,020,733**	**3,028,009**	**3,727,652**	**3,004,434**	**2,720,342**
Nonrecourse loans	**5,121**	**50,759**			
Nonrecourse loans from the securitization of the minimum future rentals on lease contracts...................	**38,906**				
Lease obligations........	**231,320**	**207,713**	**173,730**	**138,026**	**101,832**
Loans from the securitizations of the minimum future rentals on lease contracts and other....	**503,868**	**318,074**	**231,182**	**150,137**	**7,045**
Total	**$17,018,059**	**$5,454,979**	**$5,565,915**	**$4,882,988**	**$4,058,817**

The Company and certain consolidated subsidiaries had loan commitment agreements as of March 31, 2020 and 2019, amounting to ¥525,150 million ($4,817,892 thousand) and ¥533,367 million, respectively, of which ¥497,400 million ($4,563,308 thousand) and ¥503,089 million, respectively, were unused. Of the unused portion of the loan commitment agreements, ¥487,731 million ($4,474,603 thousand) and ¥476,382 million was for the Company and MUL Asset Finance Corporation, which engages in funding operation for the Company and the Group in the United States of America, as of March 31, 2020 and 2019, respectively.

14. 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, 2020 and 2019, were ¥119 million ($1,092 thousand) and ¥172 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, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Balance at beginning of year	**¥24,665**	¥27,440	**$226,293**
Current service cost	**1,523**	1,771	**13,980**
Interest cost	**126**	132	**1,160**
Actuarial losses	**(273)**	(2,190)	**(2,509)**
Benefits paid	**(579)**	(791)	**(5,312)**
Change in the scope of consolidation	**(194)**	(1,696)	**(1,784)**
Balance at end of year	**¥25,269**	¥24,665	**$231,827**

(2) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Balance at beginning of year	**¥21,432**	¥22,227	**$196,627**
Expected return on plan asset	**354**	336	**3,251**
Actuarial (losses) gains	**(762)**	13	**(6,997)**
Contributions from the employer	**1,249**	1,205	**11,465**
Benefits paid	**(318)**	(469)	**(2,926)**
Change in the scope of consolidation		(1,881)	
Balance at end of year	**¥21,954**	¥21,432	**$201,421**

(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
	2020	2019	**2020**
Funded defined benefit obligation	**¥24,355**	¥23,609	**$223,444**
Plan assets	**(21,954)**	(21,432)	**(201,421)**
	2,400	2,177	**22,023**
Unfunded defined benefit obligation	**913**	1,056	**8,382**
Net liability arising from defined benefit obligation	**¥3,314**	¥3,233	**$30,406**
Liability for retirement benefits	**¥3,344**	¥3,266	**$30,685**
Asset for retirement benefits	**(30)**	(32)	**(279)**
Net liability arising from defined benefit obligation	**¥3,314**	¥3,233	**$30,406**

(4) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Service cost	**¥1,523**	¥1,771	**$13,980**
Interest cost	**126**	132	**1,160**
Expected return on plan assets	**(354)**	(336)	**(3,251)**
Recognized actuarial losses	**343**	507	**3,147**
Amortization of prior service cost	**87**	87	**802**
Others	**9**	15	**85**
Net periodic benefit costs	**¥1,735**	¥2,179	**$15,926**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Prior service cost	**¥87**	¥87	**$802**
Actuarial (losses) gains	**(115)**	2,609	**(1,059)**
Total	**¥(28)**	¥2,697	**$(257)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unrecognized prior service cost	**¥(372)**	¥(284)	**$(3,416)**
Unrecognized actuarial losses	**2,140**	1,937	**19,642**
Total	**¥1,768**	¥1,652	**$16,225**

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2020	2019
General account	47%	45%
Debt investments	23	24
Equity investments	15	15
Alternative investments*	13	14
Others	2	2
Total	100%	100%

* Alternative investments are invested for the purpose of diversifying risks and primarily invested in hedge funds.

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, 2020 and 2019, were set forth as follows:

	2020	2019
Discount rate	0.56%	0.56%
Expected rate of return on plan assets	1.7	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

Contributions to defined contribution pension plans for the years ended March 31, 2020 and 2019, were ¥754 million ($6,923 thousand) and ¥570 million, respectively.

15. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2020, totaling ¥155,265 million ($1,424,451 thousand), where the used portion is ¥29,941 million ($274,692 thousand), and the unused portion is ¥125,323 million ($1,149,758 thousand). This amount includes unused portions of the facilities of ¥99,162 million ($909,743 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, 2020, as guarantor or co-guarantor for operating transactions of ¥11,453 million ($105,080 thousand), and borrowings and others of ¥864 million ($7,927 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 24).

16. Equity

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

(a) Dividends

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

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

17. Stock-Based Compensation

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

The stock options outstanding as of March 31, 2020, 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 ($2.42)	¥250.1 ($2.29)	¥283.1 ($2.59)

	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 ($2.86)	¥502 ($4.60)	¥490 ($4.49)

	2016 stock option	2017 stock option	2018 stock option
Persons granted	9 directors 20 executive officers	9 directors 20 executive officers	9 directors 27 executive officers
Number of options granted*	368,800	451,700	493,000
Date of grant	October 15, 2015	October 14, 2016	October 13, 2017
The fair value of options granted under the plan at the grant dates*	¥546 ($5.00)	¥436 ($4.00)	¥566 ($5.19)

	2019 stock option	**2020 stock option**
Persons granted	6 directors 33 executive officers	**5 directors 30 executive officers**
Number of options granted*	422,400	**490,400**
Date of grant	July 13, 2018	**July 12, 2019**
The fair value of options granted under the plan at the grant dates*	¥590 ($5.41)	**¥513 ($4.70)**

The total stock-based compensation costs recognized for the years ended March 31, 2020 and 2019, were ¥251 million ($2,308 thousand) and ¥244 million, respectively.

The fair value of 2020 stock option is estimated using the Black-Scholes option-pricing model with the assumptions noted as follows in the table:

	2020 stock option
Volatility of stock price	**32.24%**
Estimated remaining outstanding period	**3.5 years**
Estimated dividend	**3.99%**
Risk-free interest rate	**(0.20)%**

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 ¥23.5 ($0.21) made in the preceding year for the year ended March 31, 2020. 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, 2020 and 2019, was as follows:

	2010 stock option	2011 stock option	2012 stock option	2013 stock option
	Number of shares*			
For the year ended March 31, 2019				
Outstanding at beginning of fiscal year	61,300	284,600	364,800	492,200
Granted				
Canceled or expired				
Exercised	36,000	130,900	117,700	43,200
Outstanding at end of fiscal year	25,300	153,700	247,100	449,000
Vested at end of fiscal year	25,300	153,700	247,100	449,000
For the year ended March 31, 2020				
Outstanding at beginning of fiscal year	**25,300**	**153,700**	**247,100**	**449,000**
Granted				
Canceled or expired				
Exercised	**25,300**	**83,800**	**68,700**	**166,000**
Outstanding at end of fiscal year		**69,900**	**178,400**	**283,000**
Vested at end of fiscal year		**69,900**	**178,400**	**283,000**

	2014 stock option	2015 stock option	2016 stock option	2017 stock option
	Number of shares*			
For the year ended March 31, 2019				
Outstanding at beginning of fiscal year	404,300	328,200	359,100	451,700
Granted				
Canceled or expired				
Exercised	73,500	25,400	26,400	
Outstanding at end of fiscal year	330,800	302,800	332,700	451,700
Vested at end of fiscal year	330,800	302,800	332,700	451,700
For the year ended March 31, 2020				
Outstanding at beginning of fiscal year	**330,800**	**302,800**	**332,700**	**451,700**
Granted				
Canceled or expired				
Exercised	**102,100**	**53,600**	**25,700**	**27,100**
Outstanding at end of fiscal year	**228,700**	**249,200**	**307,000**	**424,600**
Vested at end of fiscal year	**228,700**	**249,200**	**307,000**	**424,600**

	2018 stock option	2019 stock option	**2020 stock option**
	Number of shares*		
For the year ended March 31, 2019			
Outstanding at beginning of fiscal year	493,000		
Granted		422,400	
Canceled or expired		8,200	
Exercised			
Outstanding at end of fiscal year	493,000	414,200	
Vested at end of fiscal year	493,000	414,200	
For the year ended March 31, 2020			
Outstanding at beginning of fiscal year	**493,000**	**414,200**	
Granted			**490,400**
Canceled or expired			
Exercised	**24,100**		
Outstanding at end of fiscal year	**468,900**	**414,200**	**490,400**
Vested at end of fiscal year	**468,900**	**414,200**	**490,400**

* On April 1, 2013, the Company split each share of its common stock, which was held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. Number of options, the fair value of options, and per share dividends have been retrospectively adjusted to reflect the stock split for all periods presented.

18. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Provision for doubtful receivables	**¥8,043**	¥3,360	**$73,795**
Employees' salaries, bonuses, and allowances	**23,767**	20,934	**218,051**
Other	**58,299**	53,653	**534,853**
Total	**¥90,110**	¥77,949	**$826,700**

19. Gain on Step Acquisition

The Company recognized a step acquisition gain on its existing holdings of Godo Kaisha White Rise Investment Inc. ("White Rise"), which engages in real estate leasing, and KMT Solar LLC ("KMT"), which engages in solar power generation, when White Rise and KMT became consolidated subsidiaries due to the additional silent partnership shares purchased by the Company for the year ended March 31, 2020.

The Company recognized a step acquisition gain on its existing holdings of Godo Kaisha Seven Two ("Seven Two"), which engages in real estate leasing, and Sunshine Energy Aioi, LLC ("Aioi"), which engages in solar power generation, when Seven Two and Aioi became consolidated subsidiaries due to the additional silent partnership shares purchased by the Company for the year ended March 31, 2019.

20. Related-Party Transactions (As restated*)

* Refer to *3

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, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Interest expense*1	**¥8,769**	¥9,963	**$80,452**
Interest expense (U.S. dollars)*1	**N/A**	N/A	**50,585**
Lease revenue	**18,421**	16,375	**169,005**

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

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, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Lease receivables and investments in leases*2	**¥142,070**	¥146,808	**$1,303,401**
Short-term loans	**101,090**	63,000	**927,435**
Short-term loans (U.S. dollars)	**N/A**	N/A	**400,000**
Long-term loans, including current maturities	**276,790**	277,882	**2,539,361**
Long-term loans, including current maturities (U.S. dollars)*3	**N/A**	N/A	**2,167,225**

*2 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.

*3 The balance of long-term loans (U.S. dollars) secured by the foregoing assets as of March 31, 2020 and 2019, were $1,567,225 thousand and $1,329,150 thousand, respectively. (This information was not previously disclosed)

21. 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 30.6% for the years ended March 31, 2020, and 2019.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities, as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Deferred tax assets:			
Tax loss carryforwards	**¥52,648**	¥36,386	**$483,014**
Allowance for doubtful receivables	**7,889**	6,921	**72,383**
Advances received — leases	**6,391**	5,843	**58,634**
Accrued expenses	**5,377**	5,236	**49,330**
Asset retirement obligations	**5,016**	4,070	**46,020**
Other	**21,656**	19,982	**198,680**
Total of tax loss carryforwards and temporary differences	**98,978**	78,440	**908,062**
Less valuation allowance for tax loss carryforwards	**(2,307)**	(1,863)	**(21,169)**
Less valuation allowance for temporary differences	**(2,427)**	(3,738)	**(22,273)**
Total valuation allowance	**(4,735)**	(5,602)	**(43,443)**
Less deferred tax liabilities	**(79,446)**	(65,958)	**(728,865)**
Net deferred tax assets	**¥14,797**	¥6,879	**$135,753**

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	**¥108,609**	¥77,925	**$996,419**
Difference in assets and liabilities of newly consolidated subsidiaries between fair value and tax basis	**8,287**	7,557	**76,033**
Net unrealized gain on available-for-sale securities	**7,473**	10,910	**68,566**
Deferred revenues from certain finance lease transactions	**6,255**	6,224	**57,391**
Other	**2,328**	6,474	**21,357**
Total deferred tax liabilities	**132,954**	109,093	**1,219,768**
Less deferred tax assets	**(79,446)**	(65,958)	**(728,865)**
Net deferred tax liabilities	**¥53,508**	¥43,135	**$490,902**

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2020 and 2019, were as follows:

	Millions of yen				
March 31, 2020	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	**¥14**	**¥1,777**	**¥2,578**	**¥48,277**	**¥52,648**
Less valuation allowances for tax loss carryforwards		**(688)**	**(1,293)**	**(325)**	**(2,307)**
Net deferred tax assets relating to tax loss carryforwards*2	**14**	**1,088**	**1,284**	**47,952**	**50,341**

	Millions of yen				
March 31, 2019	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	¥126	¥1,520	¥1,698	¥33,041	¥36,386
Less valuation allowances for tax loss carryforwards		(603)	(776)	(483)	(1,863)
Net deferred tax assets relating to tax loss carryforwards*2	126	916	921	32,557	34,522

	Thousands of U.S. dollars				
March 31, 2020	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Deferred tax assets relating to tax loss carryforwards*1	**$134**	**$16,306**	**$23,656**	**$442,916**	**$483,014**
Less valuation allowances for tax loss carryforwards		**(6,317)**	**(11,868)**	**(2,983)**	**(21,169)**
Net deferred tax assets relating to tax loss carryforwards*2	**134**	**9,988**	**11,788**	**439,933**	**461,844**

*1 Tax loss carryforwards were calculated by applying the normal effective statutory tax rate.

*2 Net deferred tax assets are recognized primarily for tax loss carryforwards (calculated by applying the normal effective statutory tax rate) of consolidated subsidiaries of the Company. The tax loss carryforwards of these foreign consolidated subsidiaries arose by applying the accelerated depreciation for leased assets. Valuation allowances have not been recognized for these tax loss carryforwards because they are expected to be collectible considering future taxable income.

Certain subsidiaries of the Company have tax loss carryforwards as above and those will mainly begin to expire in 2023.

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, 2020, with the corresponding figures for 2019, is as follows:

	2020	2019
Normal effective statutory tax rate	**30.6%**	30.6%
Difference in tax rate related to foreign subsidiaries	**(4.6)**	(3.1)
Effect of changes in companies subject to the CFC rules	**(2.4)**	(4.6)
Amortization of goodwill	**1.8**	1.9
Other — net	**1.8**	0.2
Actual effective tax rate	**27.2%**	25.0%

22. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	**¥3,182**	¥2,859	**$29,195**
Due after one year	**5,317**	5,539	**48,785**
Total	**¥8,499**	¥8,398	**$77,980**

23. 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 mainly to hedge interest and foreign currency exposures as described in Note 24.

(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 24 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 as well as evaluating the cost of capital.

(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 ALM 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. The Companies adopt ALM to these financial instruments and use indices, such as 10 BPV (*1) and VaR (*2) to measure market risks. In calculating the VaR, the Companies adopt a historical simulation model (holding period, one year; confidence interval, 99%; and observation period, five years). The 10 BPV at March 31, 2020 and 2019, was ¥2,840 million ($26,061 thousand) and ¥3,954 million, respectively. The aggregate VaR at March 31, 2020 and 2019, was ¥18,536 million ($170,062 thousand) and ¥19,298 million, respectively.

(*1) 10 BPV: One of the interest rate indices, which estimates changes in the market value of subject assets and liabilities assuming a 10 basis-point (0.10%) upward shift of underlying interest rates.

(*2) VaR: Quantitatively measured amount which estimates potential loss of portfolios over a certain period and according to a certain probability based on the past statistics

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, 2020 and 2019, see Note 24 for fair value information on derivatives.

	Millions of yen		
March 31, 2020	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	**¥455,588**	**¥455,588**	
Time deposits other than cash equivalents	**10,639**	**10,639**	
Receivables:			
Installment sales	**227,280**		
Deferred profit on installment sales	**(12,740)**		
Allowance for doubtful receivables	**(562)**		
Sub-total	**213,978**	**223,888**	**¥9,910**
Receivables:			
Loans	**1,136,398**		
Allowance for doubtful receivables	**(2,685)**		
Sub-total	**1,133,713**	**1,166,589**	**32,876**
Lease receivables and investments in leases	**1,583,670**		
Residual values of investments in leases	**(42,225)**		
Allowance for doubtful receivables	**(2,456)**		
Sub-total	**1,538,988**	**1,633,318**	**94,330**
Marketable and investment securities	**62,157**	**62,157**	
Long-term receivables	**24,693**		
Allowance for doubtful receivables	**(13,806)**		
Sub-total	**10,887**	**10,887**	
Total	**¥3,425,953**	**¥3,563,069**	**¥137,116**

Short-term loans from banks and other financial institutions	**¥454,137**	**¥454,137**	
Commercial paper	**762,100**	**762,100**	
Notes and accounts payable — trade	**74,918**	**74,918**	
Bonds	**1,169,553**	**1,185,824**	**¥16,270**
Loans from the securitizations of the minimum future rentals on lease contracts	**135,781**	**136,014**	**233**
Long-term loans from banks and other financial institutions	**2,409,120**	**2,447,863**	**38,743**
Total	**¥5,005,610**	**¥5,060,858**	**¥55,247**

March 31, 2019	Millions of yen Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥186,489	¥186,489	
Time deposits other than cash equivalents	9,341	9,341	
Receivables:			
Installment sales	265,962		
Deferred profit on installment sales	(16,462)		
Allowance for doubtful receivables	(341)		
Sub-total	249,158	262,552	¥13,393
Receivables:			
Loans	1,114,470		
Allowance for doubtful receivables	(2,500)		
Sub-total	1,111,969	1,137,966	25,996
Lease receivables and investments in leases	1,579,843		
Residual values of investments in leases	(44,708)		
Allowance for doubtful receivables	(1,923)		
Sub-total	1,533,211	1,616,341	83,130
Marketable and investment securities	80,704	80,704	
Long-term receivables	27,286		
Allowance for doubtful receivables	(15,079)		
Sub-total	12,207	12,207	
Total	¥3,183,083	¥3,305,603	¥122,520

Short-term loans from banks and other financial institutions	¥320,604	¥320,604	
Commercial paper	742,200	742,200	
Notes and accounts payable — trade	93,067	93,067	
Bonds	1,060,302	1,056,338	¥(3,963)
Loans from the securitizations of the minimum future rentals on lease contracts	145,842	145,564	(278)
Long-term loans from banks and other financial institutions	2,171,403	2,167,405	(3,998)
Total	¥4,533,420	¥4,525,179	¥(8,240)

March 31, 2020	Thousands of U.S. dollars Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	$4,179,708	$4,179,708	
Time deposits other than cash equivalents	97,613	97,613	
Receivables:			
Installment sales	2,085,145		
Deferred profit on installment sales	(116,885)		
Allowance for doubtful receivables	(5,156)		
Sub-total	1,963,103	2,054,022	$90,918
Receivables:			
Loans	10,425,673		
Allowance for doubtful receivables	(24,635)		
Sub-total	10,401,038	10,702,655	301,617
Lease receivables and investments in leases	14,529,086		
Residual values of investments in leases	(387,389)		
Allowance for doubtful receivables	(22,537)		
Sub-total	14,119,158	14,984,574	865,415
Marketable and investment securities	570,256	570,256	
Long-term receivables	226,546		
Allowance for doubtful receivables	(126,664)		
Sub-total	99,881	99,881	
Total	$31,430,761	$32,688,712	$1,257,951
Short-term loans from banks and other financial institutions	$4,166,395	$4,166,395	
Commercial paper	6,991,743	6,991,743	
Notes and accounts payable — trade	687,329	687,329	
Bonds	10,729,849	10,879,119	$149,269
Loans from the securitizations of the minimum future rentals on lease contracts	1,245,700	1,247,841	2,140
Long-term loans from banks and other financial institutions	22,102,018	22,457,465	355,447
Total	$45,923,036	$46,429,893	$506,857

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 24).

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

Long-term receivables

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

Short-term loans from banks and other financial institutions

The carrying values of short-term loans from banks and other financial institutions approximate fair value because of 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 24).

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 24).

Derivatives
Information regarding the fair value of derivatives is included in Note 24.

Financial instruments whose fair value is not readily determinable
Nonmarketable securities as of March 31, 2020 and 2019, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Shares of subsidiaries and associated companies	**¥67,627**	¥67,266	**$620,433**
Unlisted shares	**25,909**	16,762	**237,699**
Trust beneficiary interests	**1,634**	2,819	**14,994**
Silent partnership interests and other	**157,438**	124,566	**1,444,391**
Total	**¥252,609**	¥211,415	**$2,317,519**

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

	Millions of yen					
March 31, 2020	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	**¥455,588**					
Time deposits other than cash equivalents	**10,639**					
Receivables						
Installment sales (1)	**74,744**	**¥54,266**	**¥39,901**	**¥27,916**	**¥14,338**	**¥16,113**
Loans	**264,371**	**190,458**	**138,315**	**119,386**	**103,116**	**320,750**
Lease receivables and investments in leases (2)	**469,597**	**375,224**	**296,909**	**214,738**	**137,936**	**380,668**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**101**	**1**	**101**	**609**	**9,406**	**357**
Other	**718**	**15,655**	**25,405**	**6,195**	**14,411**	**49,510**
Total	**¥1,275,761**	**¥635,605**	**¥500,634**	**¥368,846**	**¥279,210**	**¥767,400**

March 31, 2019	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen					
Cash and cash equivalents	¥186,489					
Time deposits other than cash equivalents	9,341					
Receivables						
Installment sales (1)	86,858	¥64,640	¥46,247	¥31,688	¥17,934	¥18,593
Loans	280,045	150,581	145,465	110,917	100,229	327,230
Lease receivables and investments in leases (2)	476,265	386,219	289,369	212,298	141,048	330,629
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	1,112	1	1,121	101	603	703
Other	2,448	13,531	26,305	18,810	6,137	32,214
Total	¥1,042,562	¥614,974	¥508,510	¥373,815	¥265,953	¥709,370

March 31, 2020	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars					
Cash and cash equivalents	**$4,179,708**					
Time deposits other than cash equivalents	**97,613**					
Receivables						
Installment sales (1)	**685,728**	**$497,858**	**$366,071**	**$256,112**	**$131,546**	**$147,828**
Loans	**2,425,423**	**1,747,321**	**1,268,945**	**1,095,292**	**946,027**	**2,942,663**
Lease receivables and investments in leases (2)	**4,308,237**	**3,442,427**	**2,723,943**	**1,970,073**	**1,265,476**	**3,492,374**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**932**	**14**	**932**	**5,591**	**86,299**	**3,279**
Other	**6,589**	**143,624**	**233,082**	**56,840**	**132,212**	**454,228**
Total	**$11,704,234**	**$5,831,245**	**$4,592,974**	**$3,383,910**	**$2,561,561**	**$7,040,374**

(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 13 for information on the maturity of short-term borrowings and long-term debt.

24. Derivatives

Derivative transactions to which hedge accounting is not applied as of March 31, 2020 and 2019, were as follows:

	Millions of yen							
	2020				2019			
	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)
Currency interest rate swap contracts:								
U.S. dollars payment, Japanese yen receipt	**¥50,000**	**¥50,000**	**¥419**	**¥419**				
Indonesia rupiah payment, Japanese yen receipt	**1,524**	**1,100**	**77**	**77**	¥1,815	¥1,524	¥174	¥174
Interest rate swap contracts:								
Fixed-rate payment, floating-rate receipt	**462**	**330**	**(20)**	**(20)**	594	462	(33)	(33)

	Thousands of U.S. dollars			
	2020			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Currency interest rate swap contracts:				
U.S. dollars payment, Japanese yen receipt	**$458,715**	**$458,715**	**$3,850**	**$3,850**
Indonesia rupiah payment, Japanese yen receipt	**13,988**	**10,091**	**714**	**714**
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	**4,238**	**3,027**	**(185)**	**(185)**

Derivative transactions to which hedge accounting is applied as of March 31, 2020 and 2019, were as follows:

	Hedged item	Millions of yen		
		2020		
		Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Thai baht payment, Japanese yen receipt	Bonds	**¥3,000**	**¥3,000**	**¥(253)**
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**20,847**	**12,798**	**(2,138)**
Indonesia rupiah payment, Japanese yen receipt	Long-term loans	**1,000**	**1,000**	**(30)**
Indonesia rupiah payment, U.S. dollars receipt	Long-term loans	**15,674**	**10,675**	**(624)**
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	**16**		**(0)**
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Long-term loans	**3,340**	**377**	
Euro payment, Thai baht receipt	Long-term loans	**417**	**290**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**1,094**		
Selling U.S. dollars	Time deposits	**15,350**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans	**367,400**	**310,433**	**(5,833)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**5,000**	**5,000**	
Fixed-rate payment, floating-rate receipt	Long-term loans	**265,522**	**211,160**	

	Hedged item	Millions of yen		
		2019		
		Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Thai baht payment, Japanese yen receipt	Bonds	¥15,000	¥15,000	¥1
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	16,331	13,436	(659)
Indonesia rupiah payment, Japanese yen receipt	Long-term loans	1,000	1,000	31
Indonesia rupiah payment, U.S. dollars receipt	Lease receivable, long-term loans	10,690	7,177	229
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	209		2
Selling Singapore dollars	Payables — trade	15		
Buying U.S. dollars	Payables — trade	9		
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	10,026	3,419	
Euro payment, Thai baht receipt	Long-term loans	631	392	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	1,061		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds	482,575	315,899	5,719
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	5,000	5,000	
Fixed-rate payment, floating-rate receipt	Long-term loans	257,775	243,664	

	Hedged item	Contract amount	Contract amount due after one year	Fair value
		Thousands of U.S. dollars		
		2020		
Currency interest rate swap contracts:				
Thai baht payment, Japanese yen receipt	Bonds	**$27,522**	**$27,522**	**$(2,321)**
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**191,258**	**117,415**	**(19,621)**
Indonesia rupiah payment, Japanese yen receipt	Long-term loans	**9,174**	**9,174**	**(275)**
Indonesia rupiah payment, U.S. dollars receipt	Long-term loans	**143,803**	**97,943**	**(5,731)**
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	**153**		**(4)**
Cross-currency interest rate swap contracts:				
Thai baht payment, U.S. dollars receipt	Long-term loans	**30,645**	**3,466**	
Euro payment, Thai baht receipt	Long-term loans	**3,833**	**2,660**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**10,040**		
Selling U.S. dollars	Time deposits	**140,827**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans	**3,370,647**	**2,848,017**	**(53,515)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**45,871**	**45,871**	
Fixed-rate payment, floating-rate receipt	Long-term loans	**2,435,982**	**1,937,256**	

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 that qualify for hedge accounting and meet specific matching criteria are assigned to the associated long-term loans from banks and other financial institutions, bonds, lease receivables, and payables — trade, recorded in the consolidated balance sheets at March 31, 2020 and 2019, and included in the fair value of hedged items.

25. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Net unrealized loss on available-for-sale securities:			
(Losses) gains arising during the year	**¥(13,729)**	¥2,288	**$(125,955)**
Reclassification adjustments to loss	**(1)**	(4,768)	**(9)**
Amount before income tax effect	**(13,730)**	(2,480)	**(125,965)**
Income tax effect	**3,409**	584	**31,275**
Total	**(10,321)**	(1,896)	**(94,689)**
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	**(10,691)**	(1,998)	**(98,087)**
Reclassification adjustments to profit or (loss)	**261**	(899)	**2,399**
Amount before income tax effect	**(10,430)**	(2,897)	**(95,688)**
Income tax effect	**2,029**	1,621	**18,618**
Total	**(8,400)**	(1,275)	**(77,069)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**(5,351)**	(1,168)	**(49,094)**
Reclassification adjustments			
Amount before income tax effect	**(5,351)**	(1,168)	**(49,094)**
Income tax effect			
Total	**(5,351)**	(1,168)	**(49,094)**
Defined retirement benefit plans:			
Adjustments arising during the year	**(458)**	2,210	**(4,207)**
Reclassification adjustments to profit	**430**	486	**3,950**
Amount before income tax effect	**(28)**	2,697	**(257)**
Income tax effect	**17**	(806)	**164**
Total	**(10)**	1,890	**(92)**
Share of other comprehensive income (loss) in associates:			
Gains (losses) arising during the year	**114**	(1,064)	**1,050**
Reclassification adjustments to profit	**98**	103	**905**
Total	**213**	(961)	**1,956**
Total other comprehensive loss	**¥(23,869)**	¥(3,411)	**$(218,990)**

26. 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."

Certain foreign consolidated subsidiaries applied *Leases* (IFRS No. 16, issued by IASB) for the year ended March 31, 2020, as discussed in Note 2.r. The effect of this change on segment profit was immaterial.

Certain foreign consolidated subsidiaries applied *Financial Instruments* (IFRS No. 9, issued by IASB) and *Revenue from Contracts with Customers* (IFRS No. 15, issued by IASB) for the year ended March 31, 2019, as discussed in Note 2.r. 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, 2020	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	**¥593,652**	**¥330,116**	**¥923,768**		**¥923,768**
Intersegment revenue or transfers	**84**	**208**	**293**	**¥(293)**	
Total	**593,736**	**330,324**	**924,061**	**(293)**	**923,768**
Segment profit	**40,697**	**63,312**	**104,010**	**(12,156)**	**91,853**
Segment assets	**2,901,049**	**2,906,981**	**5,808,030**	**477,935**	**6,285,966**
Other items:					
Depreciation	**8,555**	**123,622**	**132,177**	**256**	**132,434**
Amortization of goodwill	**3,335**	**2,595**	**5,931**		**5,931**
Investments in equity method affiliates	**26,833**	**63,129**	**89,962**		**89,962**
Increase in property and equipment and intangible assets	**1,256**	**443,294**	**444,551**	**2,850**	**447,402**

Year Ended March 31, 2019	Millions of yen				
	Reportable segment				
	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	¥588,610	¥275,614	¥864,224		¥864,224
Intersegment revenue or transfers	14	362	377	¥(377)	
Total	588,625	275,977	864,602	(377)	864,224
Segment profit	36,031	55,581	91,613	(11,242)	80,371
Segment assets	2,939,120	2,649,269	5,588,390	202,538	5,790,929
Other items:					
Depreciation	7,400	120,826	128,226	193	128,420
Amortization of goodwill	2,695	3,039	5,734		5,734
Investments in equity method affiliates	24,564	57,935	82,500		82,500
Increase in property and equipment and intangible assets (3)	943	416,266	417,210	5,597	422,807

Year Ended March 31, 2020	Thousands of U.S. dollars				
	Reportable segment				
	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	**$5,446,350**	**$3,028,588**	**$8,474,938**		**$8,474,938**
Intersegment revenue or transfers	**773**	**1,914**	**2,688**	**$(2,688)**	
Total	**5,447,124**	**3,030,502**	**8,477,626**	**(2,688)**	**8,474,938**
Segment profit	**373,369**	**580,851**	**954,221**	**(111,526)**	**842,695**
Segment assets	**26,615,130**	**26,669,557**	**53,284,687**	**4,384,733**	**57,669,421**
Other items:					
Depreciation	**78,494**	**1,134,147**	**1,212,641**	**2,349**	**1,214,991**
Amortization of goodwill	**30,604**	**23,810**	**54,414**		**54,414**
Investments in equity method affiliates	**246,175**	**579,168**	**825,343**		**825,343**
Increase in property and equipment and intangible assets	**11,526**	**4,066,925**	**4,078,451**	**26,154**	**4,104,606**

Notes:

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

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

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

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

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

(3) Increase in property and equipment and intangible assets presented in "Customer Finance" does not include property and equipment and intangible assets of ¥2,053 million and goodwill of ¥13,735 million from the acquisition on ENGS and its consolidated subsidiaries for the year ended March 31, 2019.

4. Information about products and services

	Millions of yen				
	2020				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥740,085**	**¥75,099**	**¥40,356**	**¥68,227**	**¥923,768**

	Millions of yen				
	2019				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥700,982	¥89,451	¥29,597	¥44,193	¥864,224

	Thousands of U.S. dollars				
	2020				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$6,789,771**	**$688,982**	**$370,243**	**$625,941**	**$8,474,938**

5. Information about geographical areas
(1) Revenues

Millions of yen					
2020					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥713,082	**¥55,392**	**¥58,190**	**¥79,932**	**¥17,170**	**¥923,768**

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

Millions of yen					
2019					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥696,105	¥31,004	¥51,786	¥68,501	¥16,826	¥864,224

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

Thousands of U.S. dollars					
2020					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$6,542,044	**$508,185**	**$533,856**	**$733,323**	**$157,528**	**$8,474,938**

(2) Property and equipment

Millions of yen						
2020						
	North America					
Japan	United States	Other	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥669,708	**¥343,687**	**¥100,701**	**¥447,444**	**¥509,538**	**¥154,290**	**¥2,225,371**

Japan	North America: United States	North America: Other	Europe/ Middle and Near East	Asia/Oceania	Other	Total
Millions of yen 2019						
¥634,311	¥208,257	¥101,667	¥433,181	¥503,508	¥144,388	¥2,025,314

Japan	North America: United States	North America: Other	Europe/ Middle and Near East	Asia/Oceania	Other	Total
Thousands of U.S. dollars **2020**						
$6,144,112	**$3,153,098**	**$923,871**	**$4,104,999**	**$4,674,662**	**$1,415,506**	**$20,416,250**

6. Information about impairment loss for long-lived assets

No impairment loss was recognized in 2020 and 2019.

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

	Millions of yen **2020**				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**¥3,335**	**¥2,595**	**¥5,931**		**¥5,931**
Unamortized balance of goodwill	**31,419**	**34,161**	**65,580**		**65,580**

	Millions of yen 2019				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	¥2,695	¥3,039	¥5,734		¥5,734
Unamortized balance of goodwill	34,911	37,251	72,163		72,163

	Thousands of U.S. dollars **2020**				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**$30,604**	**$23,810**	**$54,414**		**$54,414**
Unamortized balance of goodwill	**288,254**	**313,405**	**601,659**		**601,659**

27. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2020 and 2019, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2020	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥70,754**	**890,713**	**¥79.44**	**$0.72**
Effect of dilutive securities:				
Warrants		**3,333**		
Diluted EPS				
Net income for computation	**¥70,754**	**894,046**	**¥79.14**	**$0.72**

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2019	Net income attributable to owners of the parent	Weighted-average shares	EPS
Basic EPS			
Net income available to common shareholders	¥68,796	890,242	¥77.28
Effect of dilutive securities:			
Warrants		3,337	
Diluted EPS			
Net income for computation	¥68,796	893,579	¥76.99

28. Subsequent Event

On May 22, 2020, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥12.50 ($0.11) per share	**¥11,138**	**$102,187**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Mitsubishi UFJ Lease & Finance Company Limited and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheets as of March 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and its consolidated financial performance and its consolidated 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2020