

(Appendix for Reference Materials Concerning the General Meeting of Shareholders)

Details of the Financial Statements, etc.
for the Most Recent Fiscal Year of
Mitsubishi UFJ Lease & Finance Company Limited

Hitachi Capital Corporation

Business Report

(April 1, 2019 - March 31, 2020)

1. Overview of the Corporate Group

(1) Business progress and 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 (“the 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.

As a result, in terms of sales, the consolidation of U.S. commercial operating finance company ENGS Holdings Inc. and the accumulation of global assets contributed to a year-on-year increase of 152.0 billion yen or 8.8% (compared to the fiscal year ended March 31, 2019) in the volume of new transactions to 1,881.7 billion yen.

By business segment, this breaks down as follows: the leasing business saw a 7.3 billion yen or 0.8% increase to 912.3 billion yen (of which 516.3 billion yen were finance leases and 395.9 billion yen were operating leases), the installment sales business a 16.3 billion yen or 18.3% decrease to 73.0 billion yen, the loans business a 117.6 billion yen or 18.3% increase to 761.1 billion yen, and other businesses a 43.3 billion yen or 47.3% increase to 135.2 billion yen.

● Volume of new transactions (principal basis)

	Leases	Installment sales	Loans	Other	Total
Amount (billions of yen)	912.3	73.0	761.1	135.2	1,881.7
YoY (%)	0.8	(18.3)	18.3	47.3	8.8

The following table shows the volume of new transactions for each of the reportable segments: “Customer Finance” and “Asset Finance.”

● Volume of new transactions (principal basis)

	Customer Finance	Asset Finance	Total
Amount (billions of yen)	1,286.5	595.2	1,881.7
YoY (%)	6.9	13.0	8.8

The business activities of each segment are described in (7) Principal business.

As a result of the above, the consolidated results for the fiscal year ended March 31, 2020 were as follows.

As of March 31, 2020, the total assets of Mitsubishi UFJ Lease & Finance (“the Company”) stood at 6,285.9 billion yen, an increase of 495.0 billion yen over the previous fiscal year-end. Due among other factors to the growth in profit attributable to owners of parent, total net assets increased by 20.2 billion yen from the previous fiscal year-end to 798.8 billion yen. The equity ratio fell by 0.6 of a percentage point to 12.4% due to the impact of additions to cash and deposits at the fiscal year-end. If the balance of cash and 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. (Please refer to (4) Financing for details.)

In terms of income, net sales grew by 59.5 billion yen or 6.9% from the previous fiscal year to 923.7 billion yen, while gross profit increased by 23.6 billion yen or 14.9% to 181.9 billion yen on the healthy performance of the Real Estate and Aviation businesses. Operating profit also expanded by 11.4 billion

yen or 14.3% to 91.8 billion yen, ordinary profit increased by 6.7 billion yen or 7.7% to 94.3 billion yen, while profit attributable to owners of parent advanced by 1.9 billion yen or 2.8% to 70.7 billion yen. Record-high levels were thus achieved at all stages of income.

(2) Issues to be addressed

1) Basic policy for company management

The Group has established the following corporate philosophy, and it is clearly aware of its corporate responsibility to all stakeholders and society, and is committed to providing sound and diverse financial and service functions.

◎Corporate philosophy

We will prove worthy of the trust of customers, shareholders, and employees as we contribute to realize a more prosperous society.

1) We will work to achieve sustained improvement in corporate value by offering the best solutions to customers.

2) We aim to play a part in the development of regions and society by pursuing environmentally considerate corporate activities in compliance with laws and regulations.

3) We will create a workplace environment that motivates each and every employee and in which they can take pride.

The Group aims to be a value integrator, creating new values for society, by integrating values of different management resources through convergence of finance and business.

2) Medium to long-term corporate management strategy and issues to be addressed

In the Medium-Term Management Plan, which ends in the current fiscal year, we have set the overall policy as the “convergence of finance and business” and balance between “top-line management” and “efficient management,” and we have been steadily implementing our growth strategy and reinforcement strategy for business infrastructure.

In order to continue to achieve sustainable and strong growth, we have formulated a new Medium-Term Management Plan starting from April 2020. The new Medium-Term Management Plan Sustainable Growth 2030 consists of the first three years of our medium to long-term strategy incorporating changes in the external environment over a 10-year timeframe up until 2030, and defines the Group’s corporate goal in 10 years. We will develop specific measures by categorizing the management strategy into asset-business platform company, focus areas, resources to raise competitiveness and supporting mechanism.

1) The Group’s corporate goal in 10 years

The following six mega global trends have been recognized as structural changes in the world over a 10-year period: rapid advancement of urbanization, climate change and resource shortage, demographic change, shift in global economic power, technology advancement and multipolarizing world.

In light of these medium to long-term changes in the external environment, a number of shared issues of international society and operational issues at customers have arisen, and to resolve these issues, we will focus on value creation in financial capital and non-financial capital (intellectual capital, manufacturing capital, social capital, natural capital and human capital), thereby achieving corporate value enhancement, sustainable growth and solutions to social issues. We have set the following corporate goal for the Group with a view to the next 10 years.

- (i) To enhance corporate value by deploying business utilizing asset value creation^{*1} and continuing the provision of new value beyond leasing business
- (ii) To aim for sustainable growth by developing business in new domains, continuously enhancing the quality and earning power of asset business and increasing investment capacity
- (iii) All company and group members act from a strong sense of vocation and contribute to solving societal issues centering on asset business

*1 Asset value creation is the capacity to improve the business competitiveness of customers and business partners by creating and continuously providing valuable services and taking the initiative in clearing their business obstacles. “Asset” of asset value creation includes intangible assets such as computerized assets (software, database), innovative assets (R&D, license) and economic competitiveness (human resources, organization).

II) Management strategy

The new Medium-Term Management Plan consists of the first three years of our medium to long-term strategy incorporating changes in the external environment over a 10-year timeframe. We plan to periodically verify the 10-year environmental and strategic outlook, three-year medium-term management plan and individual fiscal-year plan, and implement the strategy with agility and flexibility.

As an asset-business platform company with an ability to create asset value, we are focusing our resources on domains involving solutions to social issues, including the field of global assets, social infrastructure, and renewable energy.

In addition to reinforcing the resources to raise competitiveness necessary for realizing the management strategy, we will streamline a supporting mechanism for the evolution of the above 10-year, three-year and individual fiscal-year plans.

(i) Asset-business platform company

We recognize that the Group's strength lies in our asset business insights that we have accumulated through our leasing business, backed by our broad customer base ranging from large corporations to SMEs and a financial base backed by a high credit rating. Based on this strength, as an asset holder, we will aim to become an asset-business platform company that monetizes asset value by accumulating businesses that leverage our asset value creation capabilities.

(ii) Focus areas

Along with mega global trends such as rapid advancement of urbanization, climate change and resource shortage, demographic change, shift in global economic power, technology advancement, and multipolarizing world, there are global social needs such as SDGs. We will contribute to the solutions of medium to long-term societal issues by making efforts in three business domains: global assets, where we have strength in land, sea and air logistics; social infrastructure, where we invest in existing demands of developed countries and new demands of emerging countries; and renewable energy, which is to address climate change and resource shortage issues.

(iii) Resources to raise competitiveness

We will strengthen human resource enhancement and efficient use, global consolidated management, and promotion of collaboration with partners, which are resources to raise competitiveness to realize our management strategy.

(iv) Supporting mechanism

We intend to establish a supporting mechanism that rotate the PDCA cycle by linking our management strategy/management plan with (1) corporate administrative themes (financial operations, risk management, etc.) related to divisional business strategy, asset allocation/management foundation and other measures per division along with (2) cross-divisional themes such as investment strategy, portfolio management, digitalization strategy, and others.

3) Targeted management indicators

The management policies of the new Medium-Term Management Plan are as follows.

(i) We will aim to boost returns by promoting strategic investments and asset turnover businesses, while accumulating blue-chip assets and substituting out less profitable assets.

(ii) We will seek to secure a favorable balance between capital adequacy ratio and shareholder return through dividend payment and plan to maintain dividend payout ratio at 30% level based on our track record of increased dividend payment for 21 consecutive fiscal years up to the current fiscal year.

(iii) We will improve ROE over the medium to long-term while firmly maintaining financial soundness and increasing capital efficiency.

The management targets are as follows.

	Purpose	Numerical guidance	
		Quantitative targets (Fiscal year ending March 31, 2023)	Profit growth
Asset efficiency	ROA		Approximately 1.3%
Shareholder return	Dividend payout		Keep 30% level
Medium to long-term directionality (Three to five years)	Capital efficiency	ROE	10 - 12%

4) Response to and impact of COVID-19

I) Business continuity system

In response to the spread of COVID-19, we established a crisis response headquarters in February 2020 to prepare a global response 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.

(Please refer to (4) Financing for response in terms of fund procurement.)

II) Reference information on the fiscal year ending March 31, 2021

Given the difficulty in predicting the impact of the spread of COVID-19, including when it will diminish, it is difficult to reasonably forecast its impact on our consolidated results for the fiscal year ending March 31, 2021.

Assuming the following, profit attributable to owners of parent can be preliminary calculated as a range of around 35.0 billion yen to 40.0 billion yen 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. We will promptly announce a reasonable consolidated results forecast as soon as it becomes possible to do so.

(3) Capital investments

The acquisition status of assets related to operating lease transactions during the fiscal year under review was as follows (excluding leased assets recorded as intangible assets).

Leased assets related to operating lease transactions purchased during the fiscal year:

Total investment amount	395,962 million yen
Of which, Information-related equipment and office equipment	23,285 million yen
Industrial work machinery	6,384 million yen
Transportation equipment	312,022 million yen
Other	54,269 million yen

(4) Financing

Increased efforts have been made heretofore to diversify funding methods and perform liquidity risk management as part of our Asset-Liability Management framework, and further sophistication of predictive risk management system has been pursued in the fiscal year ended March 31, 2020.

Since January 2020, even in the midst of the spread of COVID-19, the Company has enforced financial strategies adaptable to changes in financial environment, and based on predictive risk management, sufficient liquidity for operating activities of the Group have been secured following consideration on multiple possibilities. As a result, consolidated cash and deposits as of March 31, 2020 increased 270.3 billion yen from the end of the previous fiscal year to 466.2 billion yen, and interest-bearing debt increased 490.3 billion yen from the end of the previous fiscal year to 4,930.6 billion yen. The net debt equity ratio was 5.74 times, almost the same level as the end of the previous fiscal year, and the Company continues to maintain financial discipline.

Of interest-bearing debt, borrowings from financial institutions increased by 371.2 billion yen from the end of the previous fiscal year to 2,863.2 billion yen, and funds procured directly from the market including bonds, commercial papers, and payables under securitization of lease receivables increased by 119.0 billion yen from the end of the previous fiscal year to 2,067.4 billion yen, building a well-balanced funding structure.

We have steadily and regularly raised funds directly from the capital market inside and outside Japan in addition to indirect fundraising. We issued Japanese straight corporate bonds with a face value of 32.0 billion yen and U.S. dollar-denominated bonds with a face value of 800 million dollars in April 2020 as a move to lengthen debt maturities and secure liquidity in preparation for potential future difficulties.

In addition to this, the total unused facility under commitment line contracts entered into in the past with multiple financial institutions amounted to 487.7 billion yen as of March 31, 2020, which ensures sufficient liquidity.

(5) Trends in assets and profit/loss

1) Trends in assets and profit/loss of the corporate group

(Millions of yen)

Item	FY2016 The 46th Fiscal Year	FY2017 The 47th Fiscal Year	FY2018 The 48th Fiscal Year	FY2019 The 49th Fiscal Year (Consolidated fiscal year under review)
Net sales	838,886	869,948	864,224	923,768
Ordinary profit	84,731	86,177	87,605	94,376
Profit attributable to owners of parent	53,157	63,679	68,796	70,754
Profit per share (yen)	59.77	71.57	77.28	79.44
Total assets	5,388,844	5,552,712	5,790,929	6,285,966
Total net assets	686,378	731,124	778,582	798,820

2) Trends in assets and profit/loss of the Company

(Millions of yen)

Item	FY2016 The 46th Fiscal Year	FY2017 The 47th Fiscal Year	FY2018 The 48th Fiscal Year	FY2019 The 49th Fiscal Year (Fiscal year under review)
Net sales	485,049	469,586	474,081	470,854
Ordinary profit	37,775	38,431	50,791	41,087
Profit	27,952	29,899	46,279	38,768
Profit per share (yen)	31.43	33.61	51.99	43.53
Total assets	3,860,892	3,951,111	4,236,814	4,476,092
Total net assets	441,798	481,561	497,324	508,589

(6) Important subsidiaries

Company name	Capital / investments in capital	Holding ratio of voting rights (%)	Principal business
DFL Lease Company Limited	3,700 million yen	80 (-)	Leasing business, installment sales business, and finance business
Hirogin Lease Co. Ltd.	2,070 million yen	80 (-)	Leasing business, installment sales business, and finance business
Shutoken Leasing Co., Ltd.	3,300 million yen	70.71 (-)	Leasing business, installment sales business, and finance business
DRS Company Limited	816 million yen	100 (-)	Computer equipment rental
Mitsubishi UFJ Lease & Finance (China) Co. Ltd.	55,000 thousand U.S. dollars	100 (-)	Leasing business
Mitsubishi UFJ Lease & Finance (Hong Kong) Ltd.	120,037 thousand HK dollars	100 (-)	Leasing and finance businesses
Bangkok Mitsubishi UFJ Lease Co., Ltd.	60,000 thousand Thai baht	44 (-)	Leasing and finance businesses
PT. Mitsubishi UFJ Lease & Finance Indonesia	400,000 million rupiah	100 (15)	Leasing business
Mitsubishi UFJ Lease & Finance (U.S.A.) Inc.	27,000 thousand U.S. dollars	100 (-)	Leasing and finance businesses
ENGS Holdings Inc.	0 thousand U.S. dollars	100 (-)	Leasing and finance businesses
MUL Energy Investment Company Limited	150 million yen	100 (-)	Energy-related asset management
JAPAN MEDICAL LEASE CORPORATION	100 million yen	100 (-)	Leasing business, installment sales business, and finance business
MUL Property Co., Ltd.	251 million yen	100 (100)	Leasing business
Diamond Asset Finance Company Limited	8,575 million yen	100 (-)	Leasing and finance businesses
Miyuki Building Co., Ltd.	61 million yen	98.30 (89.65)	Real estate leasing business
MUL Realty Investment Company Limited	300 million yen	100 (-)	Real estate-related investment business
JSA International Holdings, L.P.	742,183 thousand U.S. dollars	100 (-)	Aircraft leasing business
Engine Lease Finance Corporation	1 thousand U.S. dollars	100 (100)	Aircraft engine leasing business
Beacon Intermodal Leasing, LLC	1 thousand U.S. dollars	100 (100)	Container leasing business
MUL Railcars, Inc.	1 thousand U.S. dollars	100 (-)	Freight car leasing business
MUL Asset Finance Corporation	0 thousand U.S. dollars	100 (-)	Group financing operations

(Note) Figures in parenthesis under holding ratio of voting rights are the percentage of indirect ownership.

(7) Principal business

The Company has two reportable segments: the Customer Finance segment, which focuses on financing based on customer credit, and the Asset Finance segment, which focuses on financing based on the cash flow of specific assets and businesses, etc. The main contents of the businesses are as follows.

	Contents of business
Customer Finance	Finance leases of machinery, equipment, etc. and financial service transactions, including installment sales, money lending, and related peripheral businesses
Asset Finance	Operating leases of machinery and transportation equipment, etc., business investment and financing related to real estate including securitization, management of securities held for the purpose of earning financial income for business purposes, financing for aircraft and ships, and leasing of office buildings, etc.

(8) Principal business locations

1) The Company

Head Office Chiyoda-ku, Tokyo

Branches, etc. Nagoya Head Office, Akasaka Office, Tokyo Business Department No.4 (Shinjuku), Sapporo Branch, Tohoku Branch (Sendai), Omiya Branch, Yokohama Branch, Kariya Business Department, Hokuriku Branch (Kanazawa), Hamamatsu Branch, Osaka Office, Kyoto Branch, Kobe Branch, Chushikoku Branch (Okayama), Kyushu Branch (Fukuoka)

2) Subsidiaries (Japan)

Company name	Location of head office
DFL Lease Company Limited	Osaka City, Osaka
Hirogin Lease Co. Ltd.	Hiroshima City, Hiroshima
Shutoken Leasing Co., Ltd.	Chiyoda-ku, Tokyo
DRS Company Limited	Chiyoda-ku, Tokyo
MUL Energy Investment Company Limited	Chiyoda-ku, Tokyo
JAPAN MEDICAL LEASE CORPORATION	Shinagawa-ku, Tokyo
MUL Property Co., Ltd.	Chiyoda-ku, Tokyo
Diamond Asset Finance Company Limited	Chiyoda-ku, Tokyo
Miyuki Building Co., Ltd.	Nagoya City, Aichi
MUL Realty Investment Company Limited	Chiyoda-ku, Tokyo

3) Subsidiaries (Overseas)

Company name	Location
Mitsubishi UFJ Lease & Finance (China) Co. Ltd.	China
Mitsubishi UFJ Lease & Finance (Hong Kong) Ltd.	Hong Kong
Bangkok Mitsubishi UFJ Lease Co., Ltd.	Thailand
PT. Mitsubishi UFJ Lease & Finance Indonesia	Indonesia
Mitsubishi UFJ Lease & Finance (U.S.A.) Inc.	U.S.A.
ENGS Holdings Inc.	U.S.A.
JSA International Holdings, L.P.	U.S.A.
Engine Lease Finance Corporation	Ireland
Beacon Intermodal Leasing, LLC	U.S.A.
MUL Railcars, Inc.	U.S.A.
MUL Asset Finance Corporation	U.S.A.

(9) Business combinations

In July 2019, the Company transferred all shares of SHINKO LEASE CO., LTD., and thus the company was removed from the scope of consolidation.

(10) Employees

Employees of the corporate group

Name of segment	Number of employees	Increase from previous fiscal year-end
Customer Finance	1,895	5
Asset Finance		
Company-wide (common)	1,406	79
Total	3,301	84

- (Notes)
1. The number of employees excludes those seconded from the corporate group to outside the corporate group and includes those seconded from outside the corporate group to the corporate group.
 2. The corporate group does not have a management organization system for each segment, and the same employees are engaged in multiple types of businesses.
 3. The number of employees stated under Company-wide (common) are those who belong to the administrative departments, which cannot be classified into specific segments.

(11) Principal lenders

Lenders	Borrowing amount
	Millions of yen
MUFG Bank, Ltd.	825,046
Mizuho Bank, Ltd.	233,311
Sumitomo Mitsui Trust Bank, Limited	214,486
The Norinchukin Bank	169,520
Development Bank of Japan Inc.	77,121

2. Status of Shares

- (1) Total number of shares authorized to be issued 3,200,000,000 shares
- (2) Total number of shares issued 891,072,444 shares
(including 4,761,716 treasury shares)
- (3) Number of shareholders 29,789 persons

(4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio
Mitsubishi Corporation	179,182,700	20.10%
Mitsubishi UFJ Financial Group, Inc.	120,356,600	13.50%
MUFG Bank, Ltd.	54,487,500	6.11%
Japan Trustee Services Bank, Ltd (trust account)	44,751,100	5.02%
The Master Trust Bank of Japan, Ltd.	35,908,600	4.02%
Meiji Yasuda Life Insurance Company	30,896,900	3.46%
Mitsubishi UFJ Trust and Banking Corporation	28,431,000	3.19%
Hitachi Capital Corporation	26,678,000	2.99%
RYOSHIN HOLDINGS CO., LTD	13,068,100	1.46%
JP MORGAN CHASE BANK 385632	11,603,535	1.30%

(Note) The shareholding ratio is calculated excluding the number of treasury shares (4,761,716 shares).

(5) Other important matters concerning shares

Not applicable.

3. Status of Stock Acquisition Rights, etc.

(1) Summary of stock acquisition rights, etc. delivered to the Company's officers as consideration for the execution of duties held at the end of the fiscal year under review

Name (Date of issuance resolution)	Number of holders Directors of the Company (Excluding Outside Directors)	Number of stock acquisition rights	Class and number of shares underlying the stock acquisition rights (Note 1)	Amount to be paid for the stock acquisition rights (Note 1)	Amount of assets to be contributed upon exercise of the stock acquisition rights	Exercise period of the stock acquisition rights	Conditions for the exercise of stock acquisition rights
2nd stock acquisition rights (Sep. 29, 2010)	1	343	Common stock of the Company 34,300 shares	250.1 yen per share	1 yen per share	Oct. 16, 2010 to Oct. 15, 2040	(Notes 2, 3)
3rd stock acquisition rights (Sep. 29, 2011)	1	357	Common stock of the Company 35,700 shares	283.1 yen per share	1 yen per share	Oct. 15, 2011 to Oct. 14, 2041	(Notes 2, 3)
4th stock acquisition rights (Sep. 27, 2012)	1	478	Common stock of the Company 47,800 shares	312.8 yen per share	1 yen per share	Oct. 16, 2012 to Oct. 15, 2042	(Notes 2, 3)
5th stock acquisition rights (Sep. 26, 2013)	2	472	Common stock of the Company 47,200 shares	502 yen per share	1 yen per share	Oct.16, 2013 to Oct. 15, 2043	(Notes 2, 3)
6th stock acquisition rights (Sep. 25, 2014)	2	409	Common stock of the Company 40,900 shares	490 yen per share	1 yen per share	Oct. 16, 2014 to Oct. 15, 2044	(Notes 2, 3)
7th stock acquisition rights (Sep. 29, 2015)	2	425	Common stock of the Company 42,500 shares	546 yen per share	1 yen per share	Oct. 16, 2015 to Oct. 15, 2045	(Notes 2, 3)
8th stock acquisition rights (Sep. 29, 2016)	2	534	Common stock of the Company 53,400 shares	436 yen per share	1 yen per share	Oct., 15, 2016 to Oct. 14, 2046	(Notes 2, 3)
9th stock acquisition rights (Sep. 27, 2017)	4	1,008	Common stock of the Company 100,800 shares	566 yen per share	1 yen per share	Oct. 14, 2017 to Oct. 13, 2047	(Notes 2, 3)
10th stock acquisition rights (Jun. 28, 2018)	5	926	Common stock of the Company 92,600 shares	590 yen per share	1 yen per share	Jul. 14, 2018 to Jul. 13, 2048	(Notes 2, 3)
11th stock acquisition rights (Jun. 25, 2019)	5	1,200	Common stock of the Company 120,000 shares	513 yen per share	1 yen per share	Jul. 13, 2019 to Jul. 12, 2049	(Notes 2, 3)

- (Notes) 1. The Company implemented a 10-for-1 stock split of common stock effective April 1, 2013 pursuant to a resolution at the Board of Directors meeting held on December 20, 2012. As a result, the number of shares underlying the stock acquisition rights and amount to be paid for the stock acquisition rights for the 2nd through 4th stock acquisition rights are stated after adjustment.
2. A stock acquisition right holder shall be entitled to exercise his/her stock acquisition rights only within the exercise period, and only within five years from the first anniversary of the day following the date on which he/she lost his/her executive position as a Director, Statutory Auditor or Executive Officer of the Company.
 3. Other conditions shall be as set forth in the Stock Acquisition Rights Allotment Agreement to be entered between the Company and the stock acquisition right holder.

(2) Summary of stock acquisition rights, etc. delivered to the Company's Executive Officers as consideration for the execution of duties during the fiscal year under review

Name (Date of issuance resolution)	Number of delivered persons Executive Officers of the Company (Excluding those concurrently serving as Directors)	Number of stock acquisition rights	Class and number of shares underlying the stock acquisition rights	Amount to be paid for the stock acquisition rights	Amount of assets to be contributed upon exercise of the stock acquisition rights	Exercise period of the stock acquisition rights	Conditions for the exercise of stock acquisition rights
11th stock acquisition rights (Jun. 25, 2019)	30	3,704	Common stock of the Company 370,400 shares	513 yen per share	1 yen per share	Jul. 13, 2019 to Jul. 12, 2049	(Notes)

- (Notes) 1. A stock acquisition right holder shall be entitled to exercise his/her stock acquisition rights only within the exercise period, and only within five years from the first anniversary of the day following the date on which he/she lost his/her executive position as a Director, Statutory Auditor or Executive Officer of the Company.
2. Other conditions shall be as set forth in the Stock Acquisition Rights Allotment Agreement to be entered between the Company and the stock acquisition right holder.

(3) Other important matters concerning stock acquisition rights, etc.

Not applicable.

4. Company Officers

(1) Directors and Statutory Auditors

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
Chairman (Representative Director)	Tadashi Shiraishi		
President & CEO (Representative Director)	Takahiro Yanai		
Deputy President (Representative Director)	Toshimitsu Urabe	Operations in general	Director of ADVANTEST CORPORATION
Senior Managing Director	Tsuyoshi Nonoguchi	In charge of Corporate Center	
Managing Director	Yoichi Shimoyama	In charge of Corporate Center	
Director (Outside Director)	Teruyuki Minoura		
Director (Outside Director)	Toshio Haigou		Representative Director & Executive Vice-President of Nagoya Railroad Co., Ltd.
Director (Outside Director)	Mitsumasa Icho		Executive Vice President of Mitsubishi Corporation
Director (Outside Director)	Naomi Hayashi		Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors, Managing Executive Officer (Representative Director) of MUFG Bank, Ltd.
Statutory Auditor	Naohito Suzuki		
Statutory Auditor	Shuji Miake		
Statutory Auditor	Naoki Matsumuro		
Outside Statutory Auditor	Shota Yasuda		
Outside Statutory Auditor	Hiroyasu Nakata		Professor at Waseda Law School
Outside Statutory Auditor	Hiroshi Minagawa		

- (Notes)
1. Statutory Auditor Akira Hane resigned at the conclusion of the Annual General Meeting of Shareholders held on June 25, 2019.
 2. Director Tsuyoshi Nonoguchi retired from his position as Director of Hitachi Capital Corporation as of June 26, 2019.
 3. Statutory Auditor Hiroshi Minagawa retired from his position as President & CEO of RYOSHIN URBAN DEVELOPMENT CO., LTD. as of August 27, 2019.
 4. Directors Teruyuki Minoura, Toshio Haigou, Mitsumasa Icho, and Naomi Hayashi are Outside Directors.
 5. Statutory Auditors Shota Yasuda, Hiroyasu Nakata, and Hiroshi Minagawa are Outside Statutory Auditors.
 6. Directors Teruyuki Minoura, Toshio Haigou, and Statutory Auditor Hiroyasu Nakata are registered as independent directors/auditors with the Tokyo Stock Exchange and the Nagoya Stock Exchange.
 7. Statutory Auditors Naohito Suzuki, Shuji Miake, Naoki Matsumuro, Shota Yasuda, and

Hiroshi Minagawa have been involved in the business of companies engaged in the financial business for many years and have sufficient knowledge of finance and accounting.

8. The responsibilities of some Directors have been changed as follows as of April 1, 2020.

Position	Name	Areas of responsibility within the Company	
		From April 1, 2020	To March 31, 2020
Senior Managing Director	Tsuyoshi Nonoguchi	In charge of Corporate Center Commissioned as General Manager, International Credit Supervision Department	In charge of Corporate Center

(2) Total amount of compensation, etc. for Directors and Statutory Auditors

Category	Number of persons	Total amount of compensation, etc.	Description
Directors	12	367 million yen	The maximum amount of compensation for Directors as per the resolution of the Annual General Meeting of Shareholders held on June 26, 2009 is 480 million yen per year, and the maximum amount of compensation, etc. for Directors (excluding Outside Directors) as stock compensation-type stock options is 150 million yen per year.
Statutory Auditors	8	100 million yen	The maximum amount of compensation for Statutory Auditors as per the resolution of the Annual General Meeting of Shareholders held on June 26, 2009 is 120 million yen per year.
Total	20	468 million yen	

- (Notes)
- The total amount of compensation, etc. includes 57 million yen of bonuses for Directors (excluding Outside Directors) and 61 million yen of stock compensation-type stock options for Directors (excluding Outside Directors) for the fiscal year under review.
 - Total amount of compensation, etc. for Outside Directors and Outside Statutory Auditors
Number of persons: 10
Total amount of compensation, etc.: 81 million yen
 - In addition to the above, the retirement benefit system for directors was abolished upon the conclusion of the Annual General Meeting of Shareholders on June 26, 2009. Directors who remained in their positions at the conclusion of the Meeting, including Directors retiring as members of the Board of Directors to serve as Executive Officers, and Statutory Auditors were entitled to retirement benefits for directors (and other officers) for time served under the system until the time of its abolition, to be presented upon retirement. Based on this decision, the Company has paid retirement benefits for directors (and other officers) as follows.
- Retiring Statutory Auditor: 1 person, 1 million yen (of which Outside Statutory Auditor: 1 person, 1 million yen)
This amount includes provision for retirement benefits for directors (and other officers) of 1 million yen, which was included in the total amount of compensation, etc. for Statutory Auditors in the business report for the previous fiscal year.
 - In the event that a Director (excluding Outside Directors) must live in a place other than his/her home due to a new establishment of or change in responsibility or office, or any other reasons, an appropriate property shall be provided to the Director at a low price as company housing. In this case, the total difference between the total rent expenses rented by the Company as company housing and the total amount collected by the Company from the Director as company housing fees shall not exceed 2 million yen per month (as resolved at the Annual General Meeting of Shareholders held on June 28, 2007).

(3) Matters related to Outside Directors and Statutory Auditors

1) Status of concurrent positions of Executive Directors, etc. at other corporations, etc. and relationship with such other corporations, etc.

Category	Name	Location of concurrent position	Description of concurrent position	Relationship with the other corporation, etc.
Director	Toshio Haigou	Nagoya Railroad Co., Ltd.	Representative Director & Executive Vice-President	There is a business relationship including lease contracts between the Company and Nagoya Railroad Co., Ltd.
Director	Mitsumasa Icho	Mitsubishi Corporation	Executive Vice President	There is a business relationship including lease contracts between the Company and Mitsubishi Corporation. In addition, Mitsubishi Corporation is a major shareholder of the Company.
Director	Naomi Hayashi	Mitsubishi UFJ Financial Group, Inc.	Managing Corporate Executive	There is a business relationship including financial transactions between the Company and Mitsubishi UFJ Financial Group, Inc. In addition, Mitsubishi UFJ Financial Group, Inc. is a major shareholder of the Company.
		MUFG Bank, Ltd.	Member of the Board of Directors, Managing Executive Officer (Representative Director)	There is a business relationship including lease contracts and borrowings between the Company and MUFG Bank, Ltd.
Statutory Auditor	Hiroshi Minagawa	RYOSHIN URBAN DEVELOPMENT CO., LTD.	President & CEO	There are no significant transactions or other relationships between the Company and RYOSHIN URBAN DEVELOPMENT CO., LTD.

(Note) Statutory Auditor Hiroshi Minagawa retired from his position as President & CEO of RYOSHIN URBAN DEVELOPMENT CO., LTD. as of August 27, 2019.

2) Status of main activities

Category	Name	Status of main activities
Director	Teruyuki Minoura	Attended all 10 Board of Directors meetings held during the fiscal year under review, and made statements as necessary in discussions of proposals and others.
Director	Toshio Haigou	Attended 8 out of 10 Board of Directors meetings held during the fiscal year under review, and made statements as necessary in discussions of proposals and others.
Director	Mitsumasa Icho	After election and assumption of office at the Annual General Meeting of Shareholders held in June 2019, attended all 8 Board of Directors meetings held during the fiscal year under review, and made statements as necessary in discussions of proposals and others.
Director	Naomi Hayashi	Attended 9 out of 10 Board of Directors meetings held during the fiscal year under review, and made statements as necessary in discussions of proposals and others.
Statutory Auditor	Shota Yasuda	Attended 9 out of 10 Board of Directors meetings and 10 out of 11 Board of Statutory Auditors meetings held during the fiscal year under review, and made statements as necessary in discussions of proposals and others.
Statutory Auditor	Hiroyasu Nakata	Attended 8 out of 10 Board of Directors meetings and 8 out of 11 Board of Statutory Auditors meetings held during the fiscal year under review, and made statements as necessary in discussions of proposals and others.
Statutory Auditor	Hiroshi Minagawa	Attended all 10 Board of Directors meetings and all 11 Board of Statutory Auditors meetings held during the fiscal year under review, and made statements as necessary in discussions of proposals and others.

3) Summary of the limited liability agreement

To enable Outside Directors and Statutory Auditors to fully perform their expected roles, the Company has stipulated in its current Articles of Incorporation that the Company may enter into an agreement with Outside Directors and Outside Statutory Auditors which limits their liability for damages to the Company due to the negligence of their duties to a certain extent. The Company has entered into limited liability agreements with all Outside Directors and Outside Statutory Auditors.

The following provides a summary of such agreements.

- Where an Outside Director or Outside Statutory Auditor is found liable for damages to the Company

due to negligence of his/her duties, he/she shall assume such liability for damages limited to the greater of 8 million yen or the minimum amount of liability for damages prescribed in Article 425, Paragraph 1 of the Companies Act.

- The limitation of liability mentioned above shall apply only where an Outside Director or Outside Statutory Auditor performs his/her duties in good faith and his/her conduct incurring such liability is not grossly negligent of his/her duties.

5. Accounting Auditor

(1) Accounting Auditor's name

Deloitte Touche Tohmatsu LLC

(2) Accounting Auditor's compensation, etc. for the fiscal year under review

1) Accounting Auditor's compensation, etc. for the fiscal year under review of the Company	571 million yen
2) Total amount of monetary or other economic benefits to be paid to the Accounting Auditor from the Company or the Company's consolidated subsidiary	706 million yen

Among the Company's significant subsidiaries, Hirogin Lease Co. Ltd., Mitsubishi UFJ Lease & Finance (Hong Kong) Ltd. and 13 other companies have been audited by a certified public accountant or audit firm other than the Company's Accounting Auditor (including those with qualifications equivalent to these qualifications in foreign countries) (limited to audits under the provisions of the Companies Act or the Financial Instruments and Exchange Act (including foreign laws and regulations equivalent to these laws)).

(3) Reasons for the Board of Statutory Auditors to have agreed on Accounting Auditor's compensation, etc.

The Board of Statutory Auditors confirmed that the audit compensation was determined after sufficient discussions with the Accounting Auditor based on the calculation basis of the number of audit days, the number of personnel, and other factors necessary for an appropriate and efficient accounting audit.

(4) Description of Accounting Auditor's non-audit services involving compensation

The Company contracts and pays compensation to the Accounting Auditor for the preparation of comfort letters, etc., which are services (non-audit services) other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(5) Policy regarding dismissal or non-reappointment of Accounting Auditor

In the event that the Board of Statutory Auditors determines that there is an obstacle to the execution of duties by the Accounting Auditor, the Board of Statutory Auditors shall determine the details of the item of business concerning dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

The Board of Statutory Auditors will dismiss the Accounting Auditor with the consent of all the Statutory Auditors if the Accounting Auditor is found to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, a Statutory Auditor selected by the Board of Statutory Auditors shall report the dismissal of the Accounting Auditor and the reasons for the dismissal at the first General Meeting of Shareholders to be convened after the dismissal.

6. Outline of the System for Ensuring the Appropriateness of Operations and the Operation Status of the System

In accordance with the provisions of Article 362, Paragraph 4, Item 6 and Paragraph 5 of the Companies Act, and Article 100, Paragraph 1 and Paragraph 3 of the Regulation for Enforcement of the Companies Act, the Company has adopted the following resolution for a system for ensuring the appropriateness of operations.

The Company will continue to review this system going forward as appropriate in response to changes in the environment, in order to make further improvements and enhancements.

In the following, “the Group” refers to “the Company and its subsidiaries and affiliates,” “Group companies” refers to “the Company’s subsidiaries and affiliates,” “domestic Group companies” refers to “the Company’s domestic subsidiaries and domestic affiliates,” and “overseas Group companies” refers to “the Company’s overseas subsidiaries and overseas affiliates.”

In the specific application of the internal control system to the Group, adjustments shall be made to the appropriate extent according to the nature, scale, importance and other factors of the business of each Group company.

(1) System to ensure the compliance of Directors and employees of the Group with laws and regulations and the Articles of Incorporation in the execution of duties

[Legal compliance system]

- 1) The Company shall establish the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior in order to share basic values and ethics as a Group and reflect them in its operations.
- 2) The Company shall establish a system to ensure that the officers and employees of the Group comply with laws and regulations and the Articles of Incorporation through the establishment and dissemination of various internal rules and regulations and a Compliance Manual.
- 3) The Company shall establish a Compliance Committee for building, maintaining, and managing, etc. the Group’s compliance system, a Chief Compliance Officer (officer in charge of the Legal & Compliance Department) who shall be responsible for the overall compliance of the Group, and the Legal & Compliance Department as the responsible department.
- 4) The Company shall formulate a compliance program (a specific plan to ensure compliance with laws and regulations by officers and employees, including training for officers and employees of the Group) and monitor the status of its efforts.
- 5) The Company shall establish a Compliance Hotline System as a whistle-blowing system for officers and employees, etc. of the Group to report and consult with the Company on any illegal acts, etc.
- 6) The Company and Group companies shall maintain a resolute attitude toward antisocial forces that threaten the order and safety of civil society, and endeavor to prevent transactions with them.
- 7) Efforts shall be made to prevent money laundering by paying attention to the possibility that funds transacted through the Company and Group companies may be used for various crimes and terrorism.

[Information disclosure system]

- 1) The Company shall establish internal rules and regulations to ensure timely and appropriate disclosure of information on decisions and occurrences concerning the Group in accordance with accounting standards and other relevant laws and regulations.
- 2) The Company shall establish a Disclosure Committee to deliberate on matters including the appropriateness of information disclosure and the effectiveness of internal controls and procedures related to information disclosure.

[Internal audit system]

- 1) The Company shall establish internal rules and regulations to promote smooth and effective activities related to audits by clarifying various procedures related to the planning, implementation, reporting, and improvement instructions of internal audits in the Group.
- 2) The Company shall establish the Internal Audit Department as the department in charge of internal audits. The Internal Audit Department shall systematically conduct internal audits on the Group in accordance with the annual audit plan, and report the results to the President & CEO. In addition, the Company shall ensure the effectiveness of audits by pointing out matters requiring improvement and providing guidance to the audited departments of the Group, and by having them report the results of improvement to the Company after the audit.
- 3) The General Manager of the Internal Audit Department of the Company shall, as necessary, build a cooperative relationship with the Statutory Auditors and Accounting Auditor of the Group by exchanging relevant information, etc., and endeavor to conduct audits efficiently.

(2) System for storage and management of information concerning the execution of duties by Directors of the Company

The Company shall store and manage important documents, etc. related to the execution of duties by Directors in accordance with internal rules and regulations.

(3) System for reporting to the Company on matters related to the execution of duties by Directors of Group companies

The Company shall request the Directors of Group companies to report, etc. to the Company on matters related to the execution of duties in accordance with internal rules and regulations.

(4) Rules and other systems for managing the risk of loss at the Group

- 1) The Company shall establish internal rules and regulations that stipulate the Group's basic risk management policy, risk management system and operation, etc.
- 2) The Company shall establish a system for comprehensive risk management of the Group. The Company shall establish a committee for risk management, an officer responsible for risk management, and a Risk Management Department as a department responsible for the risk management of the Group.
- 3) The Company shall classify the major risks of the Group as follows, establish internal rules and regulations for risk management, including the establishment of a management system for such risks in the respective risk management rules, and verify the status of the development of such rules and regulations.
 - i) Credit risk
 - ii) Asset risk
 - iii) Investment risk
 - iv) Market risk
 - v) Liquidity risk
 - vi) Country risk
 - vii) Operational risk
- 4) The Company shall conduct integrated risk management and operations in order to contribute to the improvement of corporate value and social credibility, while ensuring sound management, based on a comprehensive understanding of the various risks of the Group on a uniform scale to the greatest extent possible.
- 5) The Company shall provide a foundation including the stable recording of profits commensurate with risk, the achievement of an appropriate capital structure, and the proper allocation of resources, and conduct comprehensive risk management and operations by identifying, recognizing, assessing, measuring, controlling, monitoring, and reporting on the Group's risks.
- 6) The Company shall establish a system for risk capital management, as necessary, with respect to the risks of the Group that can be quantitatively assessed and measured.
- 7) The Company shall establish internal rules and regulations to ensure the continuation of business operations in general and the recovery of normal functions by clarifying the basic concept and decision-making criteria for the Group's response to crisis situations, and to develop the systems necessary to minimize the Group's losses.

(5) System to ensure that Directors of the Group execute duties efficiently

- 1) The Company shall set the management targets of the Group, establish management plans, and conduct business management based on appropriate methods.
- 2) The Company shall establish a Management Committee, and the Board of Directors shall delegate the decision making, etc. of certain matters to the Management Committee. In addition to discussing and deciding on important matters, including the business management of Group companies, the Management Committee shall consider in advance items to be submitted to the Board of Directors meetings in order to contribute to the decision-making process of the Board of Directors. In addition, various committees shall be established as advisory bodies to the Management Committee.
- 3) In order to efficiently execute duties based on decisions made by the Board of Directors, the Company shall establish a job system and organizational structure, etc. based on internal rules and regulations, and allotted the execution of duties.

(6) Systems to ensure the appropriateness of operations at the Group

- 1) The Company shall establish the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior in order to share basic values and ethics as a Group and reflect them in its operations.
 - 2) The Company shall establish internal rules and regulations in order to establish business management methods between the Company and Group companies, to ensure the appropriateness of the business operations of Group companies, and to improve the management efficiency and corporate value of the entire Group by having the entire Group operate under a strong sense of solidarity.
 - 3) The Company shall receive reports, etc. from Group companies in accordance with the allotment of duties, and perform business management of the Group in accordance with the respective internal rules and regulations for business management of the Group.
 - 4) The Company shall establish a method for managing and operating internal control over financial reporting of the Group, and it shall effectively establish and operate internal control over the entire Group to ensure that the Company's financial reports are properly prepared in accordance with the provisions of the Financial Instruments and Exchange Act, etc.
- (7) **Matters concerning employees who are requested by the Company's Statutory Auditors to assist them in their duties**
The Company's Statutory Auditors may delegate assistance in performing their duties to members of the Internal Audit Department when necessary for the execution of duties.
- (8) **Matters concerning independence from Directors of employees who assist the Company's Statutory Auditors**
The Company shall obtain the opinions of Statutory Auditors with respect to personnel evaluations and personnel transfers of members of the Internal Audit Department who are employees who assist the Company's Statutory Auditors.
- (9) **Matters related to ensuring the effectiveness of instructions to employees who assist the Company's Statutory Auditors**
Employees who assist the Company's Statutory Auditors shall exclusively follow the instructions and orders of the Statutory Auditors with respect to the assistance work directed by the Statutory Auditors.
- (10) **System for reporting to the Company's Statutory Auditors by Directors and employees of the Company, system for reporting to the Company's Statutory Auditors by the Directors, Statutory Auditors and employees of the Group companies, or by persons who receive reports from these persons, and other systems for reporting to the Company's Statutory Auditors**
- 1) In the event that any Director or employee of the Group discovers any fact that may cause significant damage to the Company, he/she shall immediately report such fact to the Company's Statutory Auditors.
 - 2) The Company shall establish a Compliance Hotline System as a whistle-blowing system for officers and employees of the Group to report and consult with the Company on any illegal acts, etc. The Company shall designate the Company's full-time Statutory Auditor as one of the contact points for reporting and consultation in the Compliance Hotline System, and the department in charge of the Compliance Hotline System shall periodically report to the Company's Statutory Auditors on the status of whistle-blowing in the Group.
 - 3) The Company's Statutory Auditors shall closely cooperate with the Statutory Auditors of Group companies through means such as exchanging information necessary for the execution of duties.
- (11) **System to ensure that the person who made the report referred to in the preceding paragraph will not be treated disadvantageously for the reason of making the report**
The Company shall clearly stipulate in the Compliance Hotline Rules the prohibition of any disadvantageous treatment to the person who made the report or consultation by reason of the report or consultation made through the Compliance Hotline System. In addition, the Company shall make it well-known to the officers and employees of the Group that those who make reports through the compliance hotline will not suffer any disadvantages through employee training, etc.
- (12) **Matters relating to procedures for prepayment or reimbursement of expenses arising from the execution of duties by the Company's Statutory Auditors, and other matters relating to the treatment of expenses and liabilities arising from the execution of such duties**
In the event that any Statutory Auditor makes a request for expenses, etc. arising from the execution of

duties by the Statutory Auditor, the Company shall promptly and appropriately deal with such expenses or liabilities, unless the expenses related to such request are deemed to be unnecessary for the execution of such duties.

(13) Other systems to ensure that audits by the Company's Statutory Auditors are conducted effectively

- 1) The Company's Statutory Auditors, President & CEO of the Company, and the General Manager of the Internal Audit Department shall exchange opinions as appropriate.
- 2) The Company's Statutory Auditors may receive advice from attorneys-at-law and others when deemed necessary in conducting audits.
- 3) The Company's Statutory Auditors may attend Board of Directors meetings, as well as meetings of the Management Committee and other important committees.
- 4) The officers and employees of the Group shall cooperate with any request for investigations or interviews from the Company's Statutory Auditors.

(Summary of the operation status of the system for ensuring the appropriateness of operations)

A summary of the operation status of the above system for ensuring the appropriateness of operations (internal control system) during the 49th fiscal year (fiscal year ended March 31, 2020) is as follows.

(1) Status of efforts related to the legal compliance system

- 1) The Company has established the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior in order to ensure that all officers and employees, including those of the Group companies, are aware of and share values and ethics on basic compliance. The content of the Code is included in the Compliance Manual, which is posted on the company intranet for all officers and employees to view at any time.
- 2) The Company has established the Legal & Compliance Department, which is responsible for compliance, to promote compliance in the Company and Group companies through the formulation of compliance programs and training, etc. In principle, the Compliance Committee holds meetings four times a year (held four times during the fiscal year under review) and reports on the status of compliance with laws and regulations and the progress of the compliance program through the Management Committee and Board of Directors.
- 3) The Company has built a whistle-blowing system (Compliance Hotline) for officers and employees, etc. of the Group to report and consult on any illegal acts, etc. in order to identify compliance problems at an early stage and correct them by exercising self-purification capabilities, and has made this system well-known to officers and employees, etc. of the Group.
- 4) The Company and Group companies have established a basic policy in response to antisocial forces, and specific details are set forth in internal regulations in accordance with this policy. In addition, the Company has established a department responsible for the handling of unreasonable demands from antisocial forces, etc., and conducts responses including management to prevent transactions with antisocial forces. Furthermore, the Company has positioned the response to antisocial forces as an important compliance issue, and strives to make the importance of compliance well-known to officers and employees through opportunities such as training for Compliance Promotion Members.
- 5) While the Company makes progress in the development of global operations, in order to ensure that funds transacted through the Company and Group companies are not used for crimes such as financing terrorism and bribery, the Company has established the Global Rules on AML/CFT, and pays attention to the laws and regulations of each country, including the Act on Prevention of Transfer of Criminal Proceeds, as well as trends in financial crimes, etc. to prevent money laundering.

(2) Status of efforts related to the internal audit system

- 1) The Company has established internal rules and regulations that stipulate various procedures for the planning, implementation, reporting, and improvement instructions of internal audits in the Group, and has established the Internal Audit Department as the department in charge of internal audits.
- 2) The Internal Audit Department of the Company systematically conducts internal audits of the Group in accordance with the annual audit plan, reports the results to the President & CEO, and points out and provides guidance on matters requiring improvement to the audited department and has the audited department report the results of the improvements. In addition, the Internal Audit Department monitors the implementation of audits by the internal audit departments set up in major

Group companies and provides necessary guidance, advice and management.

- 3) The Company holds meetings to exchange opinions between the Internal Audit Department and Statutory Auditors, and between the Internal Audit Department and the Accounting Auditor, and shares information on audit measures and audit results as necessary.

(3) Status of efforts related to the risk management system

- 1) The Company is fully aware of the complex nature of the various risks associated with the assets and liabilities mainly accompanying the Group's operating assets, and makes it a basic policy to conduct integrated risk management, taking into consideration their mutual relationships, and to adopt more advanced risk management in response to the diversification of business.
- 2) The Company has established various rules and investment criteria related to matters including the rating system, decision-making authority, and credit limit management, and conducts risk-taking with the aim of diversifying risks, while maintaining the stability of the Group's portfolio by ensuring monitoring during the transaction period. At the same time, the Company regularly evaluates the adequacy of its equity against risk to ensure sound management and increase corporate value.
- 3) The Company has established the Risk Management Committee, which holds meetings four times a year in principle (held four times during the fiscal year under review), for the purpose of comprehensively and systematically assessing credit risk, asset risk, investment risk, market risk, liquidity risk, country risk, and operational risk, identifying the current status and issues of each risk, and deliberating and reporting on countermeasures against these risks, in order to promote the integrated risk management of the Group.

(4) Status of efforts related to the Group management system

- 1) The Company has established the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior in order to share basic values and ethics as a Group and reflect them in its operations.
- 2) The Company has formulated a Medium-Term Management Plan Breakthrough for the Next Decade for the three-year period from the fiscal year ended March 31, 2018, and has set the Group's management targets for this Medium-Term Management Plan, and the Board of Directors has been reviewing the progress of the plan.
- 3) The Company has established various committees as advisory bodies to the Management Committee, and each committee intensively deliberates on matters under its jurisdiction and reports to the Management Committee, and important matters are also reported to the Board of Directors.
- 4) The Company has established internal rules and regulations that specify the division of operations, and Directors, etc. execute their duties in accordance with the established division of operations.
- 5) The Company receives reports, etc. from Group companies on matters related to the execution of operations, risk management, compliance management and others, and provides necessary guidance and advice, in accordance with internal rules and regulations.
- 6) With regard to the Group's internal control over financial reporting, the content of control activities is documented in accordance with internal rules and regulations, and the effectiveness is assessed through periodic verification of the status of maintenance and operation, etc. In addition, the Company has established a Disclosure Committee to deliberate on the appropriateness of information disclosure and the effectiveness of internal controls and procedures related to information disclosure, etc. of the Group, and the results of the evaluation are also reported to the Management Committee after deliberation by the Disclosure Committee. In principle, the Disclosure Committee holds meetings four times a year (held four times during the fiscal year under review).

(5) Status of efforts to ensure the effectiveness of audits by Statutory Auditors

- 1) The Company's Statutory Auditors delegate members of the Internal Audit Department to assist them in the performance their duties, and these members exclusively follow the instructions and orders of the Statutory Auditors with respect to the assistance work instructed by Statutory Auditors.
- 2) The Company and Group companies have a system in place for officers and employees to report any illegal acts, etc. to management and administrators through the Compliance Hotline System. In addition, the Company has designated a full-time Statutory Auditor as one of the contact points for consultation and reporting in the Compliance Hotline System, and the Legal & Compliance Department, which is responsible for the system, and ensures a system for reporting to the Company's Statutory Auditors on the status of whistle-blowing in the Group.

- 3) In accordance with the Compliance Hotline Rules, the Company prohibits the dismissal or other disadvantageous treatment to the person who made the report or consultation by the reason of the report or consultation made through the Compliance Hotline System. In addition, the Company makes it well-known to officers and employees of the Group through opportunities such as trainings for Compliance Promotion Members that the person making the report will not be disadvantaged and will be protected by the Company.
- 4) In the event that any Statutory Auditor makes a request for expenses, etc. arising from the execution of duties by the Statutory Auditor, the Company promptly and appropriately deals with such expenses or liabilities, unless the expenses related to such request are deemed to be unnecessary for the execution of such duties. In addition, the Company receives advice from attorneys-at-law and others when deemed necessary in conducting audits.
- 5) The Company's Statutory Auditors exchange opinions with the Representative Directors and General Manager of the Internal Audit Department as appropriate regarding the confirmation of management policies and issues faced by the Company, etc., and also conduct investigations or interviews on matters including the status of operations with the officers and employees of the Group as necessary. They also attend meetings of the Management Committee and other important committees.

7. Policy on Determination Regarding Dividends of Surplus, etc.

Based on the following basic policy, the Company has increased dividends for 21 consecutive fiscal years based on the principle of making shareholder returns through dividends.

(Basic policy)

In order to proactively meet the diverse needs of customers, the Company will strive to enhance its equity, and by effectively utilizing this equity, it will aim to continuously improve corporate value, and at the same time, promote management with due consideration for our various stakeholders, including shareholders and business partners. The Company will continue to pay dividends in a continuous and stable manner while paying attention to the balance between the enhancement of equity and the payment of dividends.

The Company will strive to make effective use of internal reserves for future management such as by appropriating them to the purchase of blue-chip operating assets.

Given the difficulty in reasonably predicting 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, and the forecast for annual dividend per share for the fiscal year ending March 31, 2021 also has not yet been determined.

Consolidated Balance Sheet

(As of March 31, 2020)

(In millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets		Current liabilities	
Cash and deposits	466,228	Notes and accounts payable - trade	74,918
Installment receivables	227,280	Short-term borrowings	454,137
Lease receivables and investments in leases	1,583,670	Current portion of bonds payable	224,536
Accounts receivable - operating loans	1,062,740	Current portion of long-term borrowings	329,818
Accounts receivable - other loans to customers	73,657	Commercial papers	762,100
Accounts receivable - lease	23,757	Payables under securitization of lease receivables	59,109
Securities	819	Lease obligations	25,213
Merchandise	21,217	Income taxes payable	6,924
Other current assets	57,086	Deferred profit on installment sales	12,740
Allowance for doubtful accounts	(5,758)	Provision for bonuses	6,668
Total current assets	3,510,701	Provision for bonuses for directors (and other officers)	486
Non-current assets		Other current liabilities	93,535
Property, plant and equipment		Total current liabilities	2,050,190
Assets for lease		Non-current liabilities	
Assets for lease	2,025,596	Bonds payable	945,016
Advances for purchases of assets for lease	73,308	Long-term borrowings	2,079,301
Total assets for lease	2,098,904	Long-term payables under securitization of lease receivables	76,671
Other operating assets	120,498	Lease obligations	86,203
Own-used assets	5,967	Deferred tax liabilities	53,508
Total property, plant and equipment	2,225,371	Provision for retirement benefits for directors (and other officers)	119
Intangible assets		Retirement benefit liability	3,344
Assets for lease		Asset retirement obligations	21,288
Assets for lease	8	Other non-current liabilities	171,501
Total assets for lease	8	Total non-current liabilities	3,436,955
Other intangible assets		Total liabilities	5,487,146
Goodwill	65,580	(Net assets)	
Other	101,404	Shareholders' equity	
Total other intangible assets	166,984	Share capital	33,196
Total intangible assets	166,993	Capital surplus	167,164
Investments and other assets		Retained earnings	538,977
Investment securities	313,947	Treasury shares	(1,665)
Distressed receivables	24,693	Total shareholders' equity	737,671
Deferred tax assets	14,797	Accumulated other comprehensive income	
Other investments and other assets	43,294	Valuation difference on available-for-sale securities	10,752
Allowance for doubtful accounts	(13,831)	Deferred gains or losses on hedges	(5,597)
Total investments and other assets	382,901	Foreign currency translation adjustment	36,219
Total non-current assets	2,775,265	Remeasurements of defined benefit plans	(1,333)
		Total accumulated other comprehensive income	40,041
		Stock acquisition rights	1,507
		Non-controlling interests	19,599
		Total net assets	798,820
Total assets	6,285,966	Total liabilities and net assets	6,285,966

Consolidated Statement of Income

(April 1, 2019 - March 31, 2020)

(In millions of yen)

Description	Amount	
Net sales		923,768
Cost of sales		741,804
Gross profit		181,964
Selling, general and administrative expenses		90,110
Operating profit		91,853
Non-operating income		
Interest and dividend income	3,552	
Share of profit of entities accounted for using equity method	3,269	
Other	3,635	10,457
Non-operating expenses		
Interest expenses	4,849	
Other	3,085	7,934
Ordinary profit		94,376
Extraordinary income		
Gain on sales of investment securities	1,358	
Gain on sales of shares of subsidiaries and affiliates	237	
Gain on step acquisitions	3,433	5,030
Extraordinary losses		
Loss on valuation of investment securities	308	308
Profit before income taxes		99,097
Income taxes - current	20,642	
Income taxes - deferred	6,288	26,931
Profit		72,166
Profit attributable to non-controlling interests		1,411
Profit attributable to owners of parent		70,754

Consolidated Statement of Changes in Net Assets

(April 1, 2019 - March 31, 2020)

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	33,196	167,147	491,963	(1,867)	690,439
Changes in items during period					
Dividends of surplus			(23,601)		(23,601)
Profit attributable to owners of parent			70,754		70,754
Change in scope of consolidation			(139)		(139)
Change in ownership interest of parent due to transactions with non-controlling interests		2			2
Disposal of treasury shares		14		201	216
Net changes in items other than shareholders' equity					
Total changes in items during period	-	17	47,013	201	47,232
Balance as of March 31, 2020	33,196	167,164	538,977	(1,665)	737,671

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2019	21,032	2,431	41,742	(1,425)	63,780	1,471	22,890	778,582
Changes in items during period								
Dividends of surplus								(23,601)
Profit attributable to owners of parent								70,754
Change in scope of consolidation								(139)
Change in ownership interest of parent due to transactions with non-controlling interests								2
Disposal of treasury shares								216
Net changes in items other than shareholders' equity	(10,279)	(8,028)	(5,522)	92	(23,739)	35	(3,291)	(26,994)
Total changes in items during period	(10,279)	(8,028)	(5,522)	92	(23,739)	35	(3,291)	20,237
Balance as of March 31, 2020	10,752	(5,597)	36,219	(1,333)	40,041	1,507	19,599	798,820

Notes to the Consolidated Financial Statements

[Notes, etc., on the Matters that Serve as the Basis for the Preparation of the Consolidated Financial Statements]

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 184

Names of major consolidated subsidiaries are as stated in Business Report 1. (6) Important subsidiaries. The following companies were newly included in the scope of consolidation in the fiscal year ended March 31, 2020: MIUSA Corporation and 11 other companies due to coming into being by their establishment, MUL (Thailand) Co., Ltd. and three other companies due to increase in their importance, White Rise Investments LLC and nine other companies due to the Company's acquisition of interest therein.

On the other hand, the following companies were excluded from the scope of consolidation in the fiscal year ended March 31, 2020: The Casio Lease Company Limited and 64 other subsidiaries due to completion of their liquidation, and SHINKO LEASE CO., LTD. and four other subsidiaries due to transfer of shares.

(2) Names of major non-consolidated subsidiaries

There are no major non-consolidated subsidiaries that should be stated.

Reason for the exclusion from the scope of consolidation

145 of the non-consolidated subsidiaries are outside the scope of consolidation as they are operators primarily engaged in lease business in the form of an anonymous partnership with assets, liabilities, and profit/loss not effectively attributable to the respective subsidiaries, while having little transactions with the Company.

62 of the non-consolidated subsidiaries are outside the scope of consolidation as they are all small-sized corporations whose respective total assets, net sales, profit/loss (attributable to the Company in proportion to shareholding) or retained earnings (attributable to the Company in proportion to shareholding) do not have significant impact on the consolidated balance sheet or the consolidated statement of income.

2. Matters related to the adoption of the equity method

(1) Number of non-consolidated subsidiaries accounted for using the equity method: One

There are no major non-consolidated subsidiaries that should be stated.

(2) Number of affiliates accounted for using the equity method: 42

Name of affiliates accounted for using the equity method:

Mitsubishi Electric Credit Corporation

Mitsubishi Auto Leasing Corporation

Japan Infrastructure Initiative Company Limited

Chubu Electric Power & MUL Germany Transmission GmbH

Kamisu Biomass Power Generation LLC and 5 other companies are included among the affiliates accounted for using the equity method from the fiscal year ended March 31, 2020, following

acquisition of their interest by the Company.

On the other hand, KMT Solar LLC is no longer accounted for using the equity method as it has been included in the scope of consolidation due to acquisition of equity interest by the Company.

Renewable Energy Partners LLC and TRINITY CARE CO., LTD. are no longer accounted for using the equity method due to completion of liquidation and transfer of shares, respectively.

(3) Names of major non-consolidated subsidiaries or affiliates that are not accounted for using the equity method

There are no major non-consolidated subsidiaries or affiliates that should be stated.

Reason for non-adoption of equity method

145 of the non-consolidated subsidiaries are not accounted for using the equity method, as they are operators primarily engaged in lease business in the form of an anonymous partnership with their profit/loss not effectively attributable to the respective subsidiaries, while having little transactions with the Company.

61 of the non-consolidated subsidiaries as well as 35 of the affiliates are not accounted for using the equity method, as such approach of non-adoption of the equity method should, in view of their profit/loss (attributable to the Company in proportion to shareholding) and retained earnings (attributable to the Company in proportion to shareholding), have minimal impact on the consolidated balance sheet and the consolidated statement of income, and are immaterial as a whole.

3. Matters concerning the fiscal year of consolidated subsidiaries

(1) Number of the consolidated subsidiaries with closing dates other than the consolidated closing date

End of April	3
End of May	1
End of October	9
End of November	2
End of December	128
End of January	19

(2) Consolidated subsidiaries closing their accounts at the end of April or at the end of October each year are consolidated using financial statements based on provisional settlement conducted at the end of January.

Consolidated subsidiaries closing their accounts at the end of May or at the end of November each year are consolidated using financial statements based on provisional settlement conducted at the end of February.

Six of the consolidated subsidiaries closing their accounts at the end of December each year conduct provisional settlement as at the consolidated closing date, in lieu of final full-year settlement.

Other consolidated subsidiaries use financial statements as at their respective closing dates.

Significant transactions conducted between the consolidated closing date and the aforementioned closing dates shall be subject to adjustments as appropriate for the purpose of consolidation.

4. Matters related to accounting policies

(1) Standards and method for evaluating important assets

1) Securities

Bonds held for gaining financial revenue in the course of operation (operating securities), of all available-for-sale securities

- Those with fair value

Stated at market value based on market price, etc., on the closing date

(Valuation differences are recognized directly into net assets in full, while cost of securities sold is calculated based on the moving-average method.)

- Those without fair value

Stated at cost using the moving-average method

Meanwhile, investments in investment limited partnerships or similar partnerships (considered as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated by recognizing the net amount commensurate with the Company's equity interest, based on the most recent financial statements available as of the reporting date stipulated in the partnership agreement.

Available-for-sale securities that are not classified as above

- Those with fair value

Stated at market value based on market price, etc., on the closing date

(Valuation differences are recognized directly into net assets in full, while cost of securities sold is calculated based on the moving-average method.)

- Those without fair value

Stated at cost using the moving-average method

Meanwhile, investments in investment limited partnerships (considered as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated by recognizing the net amount commensurate with the Company's equity interest, based on the most recent financial statements available as of the reporting date stipulated in the partnership agreement.

2) Derivatives

Stated at market value

3) Inventories

Stated at cost based mainly on specific identification method

(Balance sheet amount is calculated by writing down its book value based on the reduced profitability)

(2) Method for depreciating main depreciable assets

1) Assets for lease

Depreciable by the straight-line method mainly over the lease term or the estimated useful lives of the assets, based on the standards whereby estimated disposal value of assets for lease at the expiry of the term is quoted as its residual value.

2) Other operating assets

Depreciable by the straight-line method over the estimated useful lives of the assets

3) Own-used assets (excluding leased assets)

The Company and its domestic consolidated subsidiaries use the declining-balance method for depreciating this category of assets.

However, the Company applies the straight-line method to buildings (excluding facilities attached to buildings) acquired on or after April 1, 2000, as well as facilities attached to buildings and structures acquired on or after April 1, 2016.

The range of estimated useful lives of main assets is as follows:

Buildings and structures: Three to 40 years

Furniture and fixtures: Three to 20 years

4) Other intangible assets (excluding goodwill)

Software (for own use) is amortized by the straight-line method over the estimated usable period within the company (five years).

Other amortizable assets are amortized by the straight-line method primarily over their estimated effective life.

(3) Accounting standards for recording major allowances

1) Allowance for doubtful accounts

In order to provide for the loss arising from uncollectible receivables, the estimated uncollectible amount is stated based on the Company's past credit loss experience for normal receivables, and based on individual evaluation of collectability for doubtful receivables and distressed receivables (those from bankrupt accounts as well as effectively bankrupt accounts).

Recording of allowance for doubtful accounts is based on the "practice of calculation of estimated doubtful accounts," as set out under the "Provisional Accounting and Audit Practice in Adopting Accounting Standards for Financial Instruments in Lease Business" (the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 19, November 14, 2000). For the purpose of calculating distressed receivables, the amount of receivables less the amount considered collectible is deemed as the estimated uncollectible amount, and is directly subtracted from the amount of receivables, which stands at 13,896 million yen.

2) Provision for bonuses

The Company and some of its consolidated subsidiaries recognize as provision for the payment of bonuses to employees, a portion attributable to the fiscal year ended March 31, 2020 of the estimated bonus payment in the next fiscal year.

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

Some of the Company's consolidated subsidiaries recognize as provision for bonus payment to directors and executive officers, a portion attributable to the fiscal year ended March 31, 2020 of the estimated bonus payment in the next fiscal year.

4) Provision for retirement benefits for directors (and other officers)

Some of the Company's domestic consolidated subsidiaries record as provision for the payment of retirement benefits to directors and executive officers, the whole amount to be paid at the end of the

fiscal year according to the internal payment rules.

(4) Accounting procedures for retirement benefits

1) Method for attributing projected retirement benefits to periods

In calculating retirement benefit obligations, projected retirement benefits are attributed to a period up to the end of the fiscal year ended March 31, 2020, using the benefits formula.

2) Method for recognizing expenses for actuarial gain/loss and prior service cost

Prior service cost is recognized as expenses by the straight-line method over the average remaining service period of employees (between 13 years and 15 years) at the time of recognition.

Actuarial gain/loss is recognized as expenses at an amount allocated proportionately by the straight-line method over a period within the average remaining service years for employees (between 13 years and 20 years) at the time of recognition, starting from the fiscal year following the respective fiscal year of recognition.

(5) Accounting standards for recording important revenues and expenses

1) Accounting standards for recording net sales and cost of sales concerning finance lease transactions

Net sales and cost of sales of leases corresponding to elapsed lease term are recorded, on the basis of monthly lease payment receivable according to lease contract and lease term.

2) Accounting standards for recording net sales concerning operating lease transactions

Lease payment corresponding to elapsed lease term is recorded, on the basis of monthly lease payment receivable according to lease contract and lease term.

(6) Standards for translating into Japanese yen important foreign currency-denominated assets and liabilities

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates on the consolidated closing date, where foreign exchange gains and losses from translation are recognized as income and expenses. However, foreign currency-denominated monetary receivables and payables covered by allocation treatment such as currency swap contracts are translated into Japanese yen at the swap contract amounts.

Assets and liabilities of the consolidated foreign subsidiaries are translated into Japanese yen at the spot exchange rates on the closing date of each subsidiary, and revenues and expenses are translated into Japanese yen at the average exchange rate during the fiscal year, while foreign exchange gains and losses from translation are recognized in foreign currency translation adjustment and in non-controlling interests under net assets.

(7) Method for important hedge accounting

1) Method for hedge accounting

Deferral hedge accounting is adopted.

Furthermore, allocation treatment is adopted for currency swap contracts, etc., insofar as they meet its requirements, while specific matching is adopted for interest rate swap contracts insofar as they meet its criteria.

2) Hedging instruments and hedged items

Hedging instruments	Interest rate swap contracts, currency interest rate swap contracts, foreign exchange forward contracts, foreign currency-denominated liabilities to manage its foreign currency exposures associated with the net investments in the foreign subsidiaries and affiliates and foreign currency-denominated available-for-sale securities
Hedged items	Borrowings, bonds, accounts payable - trade, foreign currency-denominated time deposits, lease receivables, accounts receivable - operating loans, foreign currency exposures associated with the net investments in the foreign subsidiaries and affiliates and foreign currency-denominated available-for-sale securities

3) Hedging policies and the method for determining hedge effectiveness

The Company engages in derivative transactions in accordance with internal regulations for the purpose of hedging interest rate risk and foreign currency fluctuation risk, with a view to ensuring constant revenues.

With respect to the interest rate risks, given that our main operating assets comprising lease payment receivables and installment receivables generate cash flows with long-term fixed interest rate, while some of the funds raised including bank borrowings are subject to variable interest rate, these risks are managed based on comprehensive asset liability management (ALM), ensuring the notional principals of derivative transactions as hedging instruments would not exceed the ceiling of liability to be hedged, to ensure comprehensive hedging of liabilities. Furthermore, we engage in hedging by interest rate swap contracts with a view to determining interest rate spread in each undertaking.

For the purpose of managing foreign currency fluctuation risks, we engage in hedging by utilizing currency swap contracts, foreign exchange forward contracts, and foreign currency-denominated liabilities, which covers individual foreign currency-denominated assets and liabilities, foreign currency exposures associated with the net investments in the foreign subsidiaries and affiliates, along with foreign currency-denominated available-for-sale securities.

Hedge effectiveness is determined by verifying whether interest rate fluctuation risks and currency fluctuation risks associated with hedged items are mitigated, provided, however, hedge effectiveness is not determined for the interest rate swap contracts subject to specific matching.

These transactions are reported to the ALM Committee on a quarterly basis.

As for the derivative transactions at consolidated subsidiaries, status of hedging of assets and liabilities covered by derivative transactions, counterparties, amounts of transactions, remaining periods, and fair market values shall, by applying the internal regulations of the Company, be reported to the Company on a quarterly basis during the period of transactions.

(8) Method and period for amortizing goodwill

Amortized primarily by the straight-line method over 20 years.

(9) Matters that serve as the basis for the preparation of consolidated financial statements

- 1) Accounting procedures for bonds, etc., held for gaining operating financial revenue (operating securities)

The aforementioned bonds, etc., are included in investment securities at 117,963 million yen as well as in securities at 798 million yen.

Such financial revenues (interest income, gain from redemption, and gain/loss on investment in partnership attributable to the Company in proportion to shareholding) are included in net sales.

- 2) Accounting procedures for consumption tax, etc.

Accounting procedures for consumption tax and local consumption tax are accounted for by the tax exclusion method.

[Notes on Changes to Accounting Policies]

(Adoption of IFRS at the consolidated foreign subsidiaries)

Some of the consolidated foreign subsidiaries have adopted IFRS No. 16 (“Leases”) from the fiscal year ended March 31, 2020, which, however, has minimal impact on the consolidated financial statements.

[Notes to the Consolidated Balance Sheet]

1. Any fractional amount less than one million is disregarded.
2. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

Cash and deposits	15,262 million yen
Installment receivables	16 million yen
Lease receivables and investments in leases	136,287 million yen
Accounts receivable - operating loans	23,970 million yen
Other current assets	892 million yen
Assets for lease	564,113 million yen
Other operating assets	94,750 million yen
Other intangible assets	11,003 million yen
Investment securities	13,526 million yen
Operating lease receivables	2,725 million yen
Total	862,550 million yen

(2) Liabilities corresponding to the assets pledged as collateral

Short-term borrowings	612 million yen
Long-term borrowings (including current portion)	510,218 million yen
Payables under securitization of lease receivables (including long-term portion)	104,312 million yen
Other non-current liabilities	1,804 million yen
Total	616,948 million yen

(Note) Of the assets pledged as collateral, accounts receivable - operating loans of 10,411 million yen, assets for lease of 37,050 million yen, and investment securities of 13,526 million yen serve as security for debt obligations to financial institutions owned by investees, for which revolving pledge or mortgage has been created.

3. Accumulated depreciation of property, plant and equipment

Assets for lease	599,721 million yen
Other operating assets	8,515 million yen
Own-used assets	7,623 million yen
Total	615,860 million yen

4. Guarantee obligations, etc.

(1) Operating guarantee obligations, etc. (including commitment to guarantee)

Amount of business guarantee	11,453 million yen
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(2) Guarantee obligations, etc., for bank borrowings (including commitment to guarantee)

MUL (Taiwan) Ltd.	826 million yen
Other	37 million yen
Sub-total	864 million yen
Total	12,317 million yen

5. Reduction entry is made for assets for lease due to acceptance of government subsidy.

Amount of reduction entry in the fiscal year ended March 31, 2020	- million yen
Accumulated amount of reduction entry	944 million yen

[Notes to the Consolidated Statement of Income]

1. Any fractional amount less than one million is disregarded.
2. Gain on step acquisitions

This gain reflects the fact that the Group increased its investments in an anonymous partnership operated by White Rise Investments LLC engaged in real estate leasing business, as well as in an anonymous partnership operated by KMT Solar LLC engaged in solar power generation business, thereby converting the two companies into its consolidated subsidiaries.

[Notes to the Consolidated Statement of Changes in Net Assets]

1. Any fractional amount less than one million is disregarded.
2. Matters related to the class and total number of shares issued

	Number of shares at the beginning of the fiscal year ended March 31, 2020	Increase in the number of shares in the fiscal year ended March 31, 2020	Decrease in the number of shares in the fiscal year ended March 31, 2020	Number of shares at the end of the fiscal year ended March 31, 2020
Total number of shares issued				
Common stock	895,834 thousand shares	- thousand shares	- thousand shares	895,834 thousand shares
Total	895,834 thousand shares	- thousand shares	- thousand shares	895,834 thousand shares

3. Matters related to cash dividends

(1) Amount of dividends paid

- 1) The following was resolved at the Board of Directors meeting held on May 15, 2019.

- Matters concerning dividends on common stock

(a) Dividends to be paid	12,466 million yen
(b) Dividend per share	14.00 yen
(c) Record date	March 31, 2019
(d) Effective date	June 4, 2019

- 2) The following was resolved at the Board of Directors meeting held on November 8, 2019.

- Matters concerning dividends on common stock

(a) Dividends to be paid	11,134 million yen
(b) Dividend per share	12.50 yen
(c) Record date	September 30, 2019
(d) Effective date	December 5, 2019

- (2) Dividends with record date belonging in the fiscal year under review, but with effective date in the next fiscal year

The following is scheduled to be resolved at the Board of Directors meeting to be held on May 22, 2020.

- Matters concerning dividends on common stock

(a) Dividends to be paid	11,138 million yen
(b) Source of dividends	Retained earnings
(c) Dividend per share	12.50 yen
(d) Record date	March 31, 2020
(e) Effective date	June 10, 2020

4. Matters concerning stock acquisition rights as at the end of the fiscal year ended March 31, 2020

Dates of resolution at the Board of Directors	Class of shares underlying the stock acquisition rights	Number of shares underlying the stock acquisition rights	Balance of stock acquisition rights
September 29, 2010	Common stock	69,900 shares	699
September 29, 2011	Common stock	178,400 shares	1,784
September 27, 2012	Common stock	283,000 shares	2,830
September 26, 2013	Common stock	228,700 shares	2,287
September 25, 2014	Common stock	249,200 shares	2,492
September 29, 2015	Common stock	307,000 shares	3,070
September 29, 2016	Common stock	424,600 shares	4,246
September 27, 2017	Common stock	468,900 shares	4,689
June 28, 2018	Common stock	414,200 shares	4,142
June 25, 2019	Common stock	490,400 shares	4,904

[Notes on Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policy for handling financial instruments

The Group is engaged in business primarily in the areas of lease transactions, installment sales transactions, and financial transactions.

To finance these businesses, the Group relies on indirect financing including bank borrowings, as well as direct financing including issuance of bonds and commercial papers, along with securitization of receivables.

The Company is engaged in comprehensive management of assets and liabilities (ALM), with a view to managing adequately interest rate fluctuation risks derived from the mismatch between invested assets and financing liabilities in terms of the type of interest rate, and duration, etc.

The Company uses derivative transactions primarily for hedging interest rate risk and foreign currency fluctuation risk, and does not engage in speculative transactions and transactions for gaining short-term trading profit.

(2) Financial instruments and the risks associated therewith

Financial assets held by the Group are mainly receivables associated with lease transactions, installment sales transactions, and financial transactions, which involve credit risk associated with the failure to collect lease payment, etc., from the customers in default.

Securities and investment securities are largely equity securities, debt securities, and investments in partnerships held for trading purposes in pursuit of business promotion and financial revenues, involving credit risk of issuers, interest rate fluctuation risk, and market price fluctuation risk, respectively.

Borrowings, bonds, commercial papers, etc., involve liquidity risks of the Group's failing to make payment on due dates because of reasons including the Group's failure to raise funds from the market under certain circumstances. Payables involving variable interest rate are exposed to interest rate fluctuation risks.

The Group's fund management is associated mainly with lease transactions, installment sales transactions, and financial transactions, where fixed interest rate is applicable to lease payment receivables, installment receivables, and some of the receivables associated with financial transactions. On the other hand, some of the Company's methods for raising funds are subject to variable interest rate, and are exposed to interest rate fluctuation risks. The Company engages in interest rate derivative transactions, with a view to comprehensively hedging such interest rate fluctuation risks, and to ensuring constant revenues through securing interest rate spread in each business undertaking. Meanwhile, for the purpose of hedging foreign currency fluctuation risk of individual foreign currency-denominated assets and liabilities, the Company engages in currency-related derivative transactions along with hedging based on foreign currency-denominated liabilities.

The Group adopts hedge accounting for derivative transactions as described in [Notes, etc., on the Matters that Serve as the Basis for the Preparation of the Consolidated Financial Statements] 4. Matters related to accounting policies, (7) Method for important hedge accounting.

Derivative transactions conducted by the Group are exposed to market risk as well as credit risk. These derivative transactions are intended to mitigate the risks arising from the fluctuations in interest rate and

foreign exchange concerning mainly hedged assets and liabilities, and thus performing the role of mitigating market risks across the Group.

(3) Framework for managing risks associated with financial instruments

1) Credit risk management

The Group, according to internal rules for credit risk management, makes individual credit decisions while conducting credit management for each group of customers, in consideration of factors including their corporate strategies, capital conditions, and credit rating portfolio characteristics. Such credit management procedure is carried out by the business departments concerned and the credit department, and then reported to and discussed at the Risk Management Committee, the Management Committee, and the Board of Directors on a regular basis. Furthermore, the internal audit department monitors, verifies, and audits status of credit administration and its management.

2) Market risk management

The Group conducts, in accordance with the internal rules for market risk management, market-related administrative operation that covers management of interest rate fluctuation risks, foreign exchange fluctuation risk, and market price fluctuation risk.

(i) Interest rate fluctuation risk management

For the purpose of appropriately managing interest rate fluctuation risk and the relevant administration, we grasp at all times the status of mismatch between invested assets and financing liabilities over the type of interest rate, and duration, etc., in addition to closely watching interest rate movements constantly. On the subject of interest rate fluctuation risk, the Company convenes on a quarterly basis the ALM Committee comprising officers and managers of related departments, to review market conditions and asset/liability portfolio analysis, for deliberating on current risk management policies. These topics are reported to the Risk Management Committee held also on a quarterly basis.

(ii) Foreign exchange risk management

Foreign exchange fluctuation risk is managed by utilizing currency-related derivative transactions, as well as by arranging foreign currency-denominated liabilities that match foreign currency-denominated assets. Status of foreign exchange fluctuation risk is reported to the ALM Committee as well as the Risk Management Committee.

(iii) Price fluctuation risk management

As for price fluctuation risk associated with securities and investment securities, risks associated with securities and investment securities with quoted market prices are reported to the ALM Committee as well as the Risk Management Committee. Since shares are largely held by the Group with a view to strategically promoting business relationships with customers who issue those shares, the Group performs reviews from time to time to decide whether to continue holding such shares, based on verification through monitoring the financial condition of, and the status of transaction with, the customer, as well as from the viewpoint of capital cost.

(iv) Derivative transactions

As for derivative transactions, the purpose of their use and relevant approval authority are prescribed under internal regulations. Derivatives are used for the purpose of hedging the risks

of interest rate and foreign exchange fluctuations, and the Treasury Department is responsible for executing individual derivative transactions of the Company. Interest rate fluctuation risk is managed comprehensively under the ALM framework across assets and liabilities, while foreign exchange fluctuations risk is managed on a case-by-case basis. Status of derivative transactions is reported to the ALM Committee on a quarterly basis.

Maximum amount of transactions is established for individual customers depending on their credit standing and the status of transactions, thereby managing credit risk associated with default of customers.

3) Liquidity risk management on financing activities

The Group monitors status of cash management across the organization while optimizing the financing duration mix. The Group strives to ensure liquidity, through arranging commitment lines with multiple financial institutions while diversifying financing methods. As part of the liquidity risk management over financing, the Company conducts various activities pursuant to the Company's internal rules for liquidity risk management. Probability of risk materialization under the current financing environment is monitored, and the status of liquidity risk is reported to the executive officer in charge on a monthly basis, while the same executive officer decides on the severity stage of liquidity risk and reports such decision to the ALM Committee and the Risk Management Committee. Furthermore, contingency plans are prepared for each such stage as part of the framework for activating an adequate plan in the event of an emergency.

(4) Supplementary information on matters concerning fair value of financial instruments, etc.

For the purpose of estimating fair values of financial instruments, the Group uses quoted market prices where available, as well as reasonably estimated market price in the absence of quoted market prices. As such estimation involves certain assumptions, such estimated market price may vary if different assumptions are adopted.

2. Matters concerning fair value of financial instruments, etc.

Carrying amounts recognized in the consolidated balance sheet, their fair values, and the difference therebetween as at the end of the fiscal year ended March 31, 2020 are as follows, provided, however, that items recognized to pose extreme difficulty in grasping their fair values are omitted from the table below.

(In millions of yen)

	Carrying amounts recognized in the consolidated balance sheet	Fair values	Difference
(1) Cash and deposits	466,228	466,228	-
(2) Installment receivables (*1) Allowance for doubtful accounts (*2)	214,540 (562)		
	213,978	223,888	9,910
(3) Lease receivables and investments in leases (*3) Allowance for doubtful accounts (*2)	1,541,444 (2,456)		
	1,538,988	1,633,318	94,330
(4) Accounts receivable - operating loans Allowance for doubtful accounts (*2)	1,062,740 (2,578)		
	1,060,162	1,092,932	32,770
(5) Accounts receivable - other loans to customers Allowance for doubtful accounts (*2)	73,657 (106)		
	73,550	73,657	106
(6) Securities and investment securities Available-for-sale securities	62,157	62,157	-
(7) Distressed receivables Allowance for doubtful accounts (*2)	24,693 (13,806)		
	10,887	10,887	-
Total assets	3,425,953	3,563,069	137,116
(1) Notes and accounts payable - trade	74,918	74,918	-
(2) Short-term borrowings	454,137	454,137	-
(3) Commercial papers	762,100	762,100	-
(4) Bonds payable	1,169,553	1,185,824	16,270
(5) Long-term borrowings	2,409,120	2,447,863	38,743
(6) Payables under securitization of lease receivables	135,781	136,014	233
Total liabilities	5,005,610	5,060,858	55,247
Derivative transactions (*4)			
(i) Those not subjected to hedge accounting	477	477	-
(ii) Those subjected to hedge accounting	[8,881]	[8,881]	-
Total derivative transactions	[8,404]	[8,404]	-

(*1) Carrying amounts recognized in the consolidated balance sheet exclude deferred profit on installment sales.

(*2) Installment receivables, lease receivables and investments in leases, accounts receivable - operating loans, accounts receivable - other loans to customers, and distressed receivables exclude respective corresponding allowance for doubtful accounts.

(*3) Difference from the amounts recorded in the consolidated balance sheet is 42,225 million yen of estimated residual value in finance lease transactions that do not transfer ownership.

(*4) Net assets and liabilities arising from derivative transactions are presented in net amounts, and the items amounting to net liabilities are shown with parentheses.

(Note) Method for determining fair value of financial instruments

Assets

(1) Cash and deposits

Since deposits are settled in a short period and their fair values are approximate to book values, such book values are deemed as fair values.

(2) Installment receivables

Fair values are measured, for each category of receivables grouped by similar internal ratings and periods, by discounting the total amounts scheduled to be collected at the interest rate assumed applicable to similar new installment sales.

(3) Lease receivables and investments in leases

Fair values are determined, for each category of receivables grouped by similar internal ratings and periods, by discounting the amounts scheduled to be collected (*) less the estimated amount of administrative and maintenance expenses, at the interest rate assumed applicable to similar new lease transactions.

(*) As for the lease receivables and investments in leases covered by allocation treatment under foreign exchange forward contracts (refer to "Derivative transactions" below), fair values are calculated by discounting the Japanese yen-denominated amounts scheduled to be collected.

(4) Accounts receivable - operating loans

Accounts receivable - operating loans with variable interest rates are deemed to reflect market rate in a short interval, allowing us to assume their fair values are approximate to their book values, insofar as the credit standing of the borrower remains largely the same after the loans were provided. Thus, such book values are quoted as fair values. As for those with a fixed interest rate on the other hand, fair values are determined, for each category grouped by similar types of loans, internal ratings, and periods, by discounting the principal and interest at the interest rate assumed applicable to similar new loans.

(5) Accounts receivable - other loans to customers

Fair values are determined for each category grouped by similar types of loans, internal ratings, and periods, by discounting the principal and interest at the interest rate assumed applicable to similar new loans. Meanwhile, for those settled in a short period, book values are deemed to approximate fair values, and are thus quoted as fair values.

(6) Securities and investment securities

Fair values of equity securities are measured at the quoted market price of stock exchanges. Meanwhile, book values of debt securities with variable interest rates are deemed to approximate fair values because the variable interest rates will be determined by the market interest rate at short intervals, insofar as the credit standing of the issuer remains largely the same after the issuance of such securities. Thus, such book values are quoted as fair values. For those with a fixed interest rate on the other hand, fair values are determined by discounting the future cash flows at a certain discount rate.

(7) Distressed receivables

Since estimated doubtful accounts with respect to distressed receivables are determined based on the estimated amount collectible through security and guarantee, their fair values are considered to be approximate to the amount recorded in the consolidated balance sheet as at the consolidated closing date, less the estimated amount of doubtful accounts. Thus, such amount is quoted as fair values.

Liabilities

(1) Notes and accounts payable - trade, (2) Short-term borrowings, (3) Commercial papers

As these are settled at short intervals, their book values approximate their fair values. Thus, book values are quoted as fair values.

(4) Bonds payable

Bonds issued by the Group that are settled short-term have book values that approximate their fair values. Thus, book values are quoted as fair values. As for the bonds settled long-term with variable interest rates, book values are quoted

as fair values since the former approximates the latter, due to the fact that variable rates are determined by the market interest rate at short intervals, and that the Group's credit standing has remained largely the same after their issuance. For bonds other than the aforementioned, fair values are mainly determined for each lot grouped by certain duration, by discounting the principal and interest at the interest rate assumed applicable to the issuance of similar bonds.

(5) Long-term borrowings

As for long-term borrowings with variable interest rates, book values are quoted as fair values since the former approximates the latter, due to the fact that such variable rates are determined by the market interest rate at short intervals, and that the Group's credit standing has remained largely the same after the implementation of loans. For loans with fixed interest rates, fair values are determined for each lot grouped by certain duration, by discounting the principal and interest of the long-term borrowings (*) at the interest rate assumed applicable to similar loans.

(*) As for long-term borrowings covered by the specific matching applicable under interest rate swap contracts (refer to "Derivative transactions" below), the "principal and interest" refers to the principal and interest of the long-term loans treated in combination with the interest rate swap contracts. As for the long-term borrowings covered by allocation treatment applicable under currency swap contracts (refer to "Derivative transactions" below), the "principal and interest" refers to the principal and interest treated in combination with the currency swap contracts.

(6) Payables under securitization of lease receivables

As for payables under securitization of lease receivables with variable interest rates, book values are quoted as fair values since the former approximates the latter, due to the fact that such variable rates are determined by the market interest rate at short intervals, and that the Group's credit standing has remained largely the same after the implementation of the securitization. For those with fixed interest rates, fair values are determined for each lot grouped by certain duration, by discounting the principal and interest of the payables under securitization of lease receivables at the interest rate assumed applicable to similar securitization.

Derivative transactions

Fair values of derivative transactions are determined at the price indicated by the financial institutions concerned, or the price based on the present discounted value. Since the interest rate swap contracts applicable under the specific matching, and the foreign exchange forward contracts or currency swap contracts applicable under the allocation treatment are treated in combination with hedged items, namely, lease receivables and investments in leases, or long-term borrowings, their fair values are included in the fair values of these assets and liabilities (refer to Assets (3) and Liabilities (5) above).

[Notes on Rental Properties]

The Group owns rental properties such as office buildings, commercial facilities, and residential properties in major cities throughout Japan. For the fiscal year ended March 31, 2020, net of rental income from and operating expenses for those properties was ¥11,795 million (main lease revenues and lease expenses are included in net sales and cost of sales, respectively), while net gain from sales of those properties was ¥7,050 million (revenues and expenses for sales of properties are included in net sales and cost of sales, respectively). For the aforementioned rental properties, carrying amounts recognized in the consolidated balance sheet, net change during the fiscal year ended March 31, 2020, and their fair values are as follows:

Carrying amounts recognized in the consolidated balance sheet			Fair values at the end of the fiscal year ended March 31, 2020
Amount at the beginning of the fiscal year ended March 31, 2020	Net change during the fiscal year ended March 31, 2020	Amount at the end of the fiscal year ended March 31, 2020	
322,831 million yen	25,912 million yen	348,744 million yen	414,532 million yen

- Notes:
1. Carrying amounts recognized in the consolidated balance sheet are costs of acquisition less accumulated depreciation.
 2. Net change during the fiscal year ended March 31, 2020 was primarily attributable to an increase of ¥40,932 million due to acquisition of real estate.
 3. Fair values of main properties disclosed at the end of the fiscal year ended March 31, 2020 are the amounts determined based on an appraisal prepared by an external real estate appraiser as well as the amounts calculated by the discounted cash flow (DCF) method. However, insofar as there is no significant change in the constant appraisal value or indices deemed to adequately reflect market value, since the time of the latest appraisal, the fair values determined at the latest appraisal are used subject to certain adjustments. For the fair values of other properties, we rely on the values reasonably calculated in-house based on the DCF method or the values based on the indices deemed to reflect market value, while for the properties such as certain buildings newly acquired in the fiscal year under review, that are deemed to have undergone minimal changes in depreciable assets and fair values, appropriately determined book values are quoted as fair values.

[Notes on Per Share Information]

Net assets per share	872.78 yen
Profit per share	79.44 yen

[Significant Subsequent Events]

Not applicable.

Non-Consolidated Balance Sheet

(As of March 31, 2020)

(In millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets		Current liabilities	
Cash and deposits	366,675	Notes payable - trade	5,241
Installment receivables	146,394	Accounts payable - trade	49,843
Lease receivables	244,705	Short-term borrowings	328,414
Investments in leases	822,667	Current portion of bonds payable	222,512
Accounts receivable - operating loans	1,546,941	Current portion of long-term borrowings	167,040
Accounts receivable - other loans to customers	44,076	Commercial papers	762,100
Accounts receivable - lease	7,871	Payables under securitization of lease receivables	53,985
Securities	819	Lease obligations	25,079
Merchandise	0	Accounts payable - other	6,550
Advance payments - trade	2,599	Income taxes payable	443
Prepaid expenses	2,991	Accrued expenses	10,117
Other current assets	19,437	Advances received - lease	22,694
Allowance for doubtful accounts	(3,067)	Deposits received	1,763
Total current assets	3,202,115	Unearned revenue	9
Non-current assets		Deferred profit on installment sales	10,357
Property, plant and equipment		Provision for bonuses	2,072
Assets for lease		Asset retirement obligations	1,102
Assets for lease	174,202	Other current liabilities	7,472
Total assets for lease	174,202	Total current liabilities	1,676,801
Own-used assets		Non-current liabilities	
Buildings	527	Bonds payable	835,287
Structures	10	Long-term borrowings	1,219,881
Furniture and fixtures	1,210	Long-term payables under securitization of lease receivables	74,712
Land	677	Lease obligations	83,576
Total own-used assets	2,426	Long-term guarantee deposits	58,250
Total property, plant and equipment	176,629	Provision for retirement benefits	172
Intangible assets		Asset retirement obligations	14,973
Assets for lease		Other non-current liabilities	3,848
Assets for lease	1	Total non-current liabilities	2,290,701
Total assets for lease	1	Total liabilities	3,967,502
Other intangible assets		(Net assets)	
Goodwill	14,821	Shareholders' equity	
Other	8,320	Share capital	33,196
Total other intangible assets	23,142	Capital surplus	
Total intangible assets	23,144	Legal capital surplus	33,802
Investments and other assets		Other capital surplus	127,706
Investment securities	131,341	Total capital surplus	161,509
Shares of subsidiaries and affiliates	707,291	Retained earnings	
Investments in other securities of subsidiaries and affiliates	194,005	Legal retained earnings	638
Investments in capital	1,500	Other retained earnings	289,198
Distressed receivables	11,330	General reserve	72,035
Long-term prepaid expenses	3,344	Retained earnings brought forward	217,163
Long-term guarantee deposits paid	13,054	Total retained earnings	289,836
Deferred tax assets	19,971	Treasury shares	(1,665)
Other investments and other assets	691	Total shareholders' equity	482,876
Allowance for doubtful accounts	(8,327)	Valuation and translation adjustments	
Total investments and other assets	1,074,204	Valuation difference on available-for-sale securities	10,057
Total non-current assets	1,273,977	Deferred gains or losses on hedges	14,148
		Total valuation and translation adjustments	24,206
		Stock acquisition rights	1,507
		Total net assets	508,589
Total assets	4,476,092	Total liabilities and net assets	4,476,092

Non-Consolidated Statement of Income

(April 1, 2019 - March 31, 2020)

(In millions of yen)

Description	Amount	
Net sales		
Lease sales	368,277	
Installment sales	55,870	
Revenue - operating loans	29,654	
Other net sales	17,052	470,854
Cost of sales		
Lease costs	331,349	
Installment costs	51,916	
Capital costs	16,697	
Other cost of sales	6,522	406,486
Gross profit		64,368
Selling, general and administrative expenses		39,708
Operating profit		24,659
Non-operating income		
Interest and dividend income	25,313	
Other	10,377	35,690
Non-operating expenses		
Interest expenses	17,892	
Other	1,370	19,263
Ordinary profit		41,087
Extraordinary income		
Gain on sales of investment securities	1,269	
Gain on liquidation of subsidiaries and affiliates	2,362	3,632
Extraordinary losses		
Loss on sales of shares of subsidiaries and affiliates	143	
Loss on valuation of shares of subsidiaries and affiliates	250	394
Profit before income taxes		44,325
Income taxes - current	8,158	
Income taxes - deferred	(2,602)	5,556
Profit		38,768

Non-Consolidated Statement of Changes in Net Assets

(April 1, 2019 - March 31, 2020)

(In millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance as of April 1, 2019	33,196	33,802	127,691	161,494	638	72,035	201,995	274,669
Changes in items during period								
Dividends of surplus							(23,601)	(23,601)
Profit							38,768	38,768
Disposal of treasury shares			14	14				
Net changes in items other than shareholders' equity								
Total changes in items during period	-	-	14	14	-	-	15,167	15,167
Balance as of March 31, 2020	33,196	33,802	127,706	161,509	638	72,035	217,163	289,836

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of April 1, 2019	(1,867)	467,492	20,171	8,189	28,360	1,471	497,324
Changes in items during period							
Dividends of surplus		(23,601)					(23,601)
Profit		38,768					38,768
Disposal of treasury shares	201	216					216
Net changes in items other than shareholders' equity			(10,113)	5,959	(4,154)	35	(4,118)
Total changes in items during period	201	15,384	(10,113)	5,959	(4,154)	35	11,265
Balance as of March 31, 2020	(1,665)	482,876	10,057	14,148	24,206	1,507	508,589

Notes to the Non-Consolidated Financial Statements

[Notes on Matters Related to Significant Accounting Policies]

1. Standards and method for evaluating securities

(1) Shares of subsidiaries and affiliates

Stated at cost using the moving-average method

(2) Bonds held for gaining financial revenue in the course of operation (operating securities), of all available-for-sale securities

- Those with fair value

Stated at market value based on market price, etc. on the closing date

(Valuation differences are recognized directly into net assets in full, while cost of securities sold is calculated based on the moving-average method.)

- Those without fair value

Stated at cost using the moving-average method

Meanwhile, investments in investment limited partnerships or similar partnerships (considered as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated by recognizing the net amount commensurate with the Company's equity interest, based on the most recent financial statements available as of the reporting date stipulated in the partnership agreement.

(3) Available-for-sale securities that are not classified as above

- Those with fair value

Stated at market value based on market price, etc., on the closing date

(Valuation differences are recognized directly into net assets in full, while cost of securities sold is calculated based on the moving-average method.)

- Those without fair value

Stated at cost using the moving-average method

Meanwhile, investments in investment limited partnerships (considered as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated by recognizing the net amount commensurate with the Company's equity interest, based on the most recent financial statements available as of the reporting date stipulated in the partnership agreement.

(4) Investments in other securities of subsidiaries and affiliates

Stated at cost using the moving-average method

Meanwhile, investments in partnerships (considered as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated by recognizing the net amount commensurate with the Company's equity interest, based on the most recent financial statements available as of the reporting date stipulated in the partnership agreement.

2. Standards and method for evaluating derivatives

Stated at market value

3. Standards and method for evaluating inventories

Stated at cost using the periodic average method

(Balance sheet amount is calculated by writing down its book value based on the reduced profitability)

4. Method for depreciating non-current assets

(1) Assets for lease

Depreciable by the straight-line method mainly over the lease term, based on the standards whereby estimated disposal value of assets for lease at the expiry of the lease term is quoted as its residual value

(2) Own-used assets

The declining-balance method is adopted.

However, the Company applies the straight-line method to buildings (excluding facilities attached to buildings) acquired on or after April 1, 2000, as well as facilities attached to buildings and structures acquired on or after April 1, 2016.

The range of estimated useful lives of main assets is as follows:

Buildings and structures: Three to 40 years

Furniture and fixtures: Three to 20 years

(3) Other intangible assets (excluding goodwill)

The straight-line method is adopted.

Software (for own use) is amortized by the straight-line method over the estimated usable period within the company (five years).

(4) Long-term prepaid expenses

The straight-line method is adopted.

Long-term prepaid expenses are amortized over the period during which expenditure remains effective (between two and 34 years).

5. Accounting for deferred assets

Bond issuance costs are fully charged to expenses at the time of expenditure.

6. Standards for translating into Japanese yen foreign currency-denominated assets and liabilities

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates on the closing date, where foreign exchange gains and losses from translation are recognized as income and expenses. However, foreign currency-denominated monetary receivables and payables covered by allocation treatment such as currency swap contracts are translated into Japanese yen at the swap contract amounts.

7. Accounting standards for recording allowances

(1) Allowance for doubtful accounts

In order to provide for the loss arising from uncollectible receivables, estimated uncollectible amount is stated based on the Company's past credit loss experience for normal receivables, and based on

individual evaluation of collectability for doubtful receivables and distressed receivables (those from bankrupt accounts as well as effectively bankrupt accounts).

Recording of allowance for doubtful accounts is based on the “practice of calculation of estimated doubtful accounts,” as set out under the “Provisional Accounting and Audit Practice in Adopting Accounting Standards for Financial Instruments in Lease Business” (the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 19, November 14, 2000).

For the purpose of calculating distressed receivables, the amount of receivables less the amount considered collectible is deemed as the estimated uncollectible amount, and is directly subtracted from the amount of receivables, which stands at 4,351 million yen.

(2) Provision for bonuses

To provide for the payment of bonuses to employees, the Company puts aside a portion attributable to the fiscal year ended March 31, 2020 of the estimated bonus payment in the next fiscal year.

(3) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, the Company puts aside a provision based on the retirement benefit obligations and the estimated amount of pension assets as at the end of the fiscal year ended March 31, 2020.

1) Method for attributing projected retirement benefits to periods

In calculating retirement benefit obligations, projected retirement benefits are attributed to a period up to the end of the fiscal year ended March 31, 2020, using the benefits formula.

2) Method for recognizing expenses for actuarial gain/loss and prior service cost

Prior service cost is recognized as expenses by the straight-line method over the average remaining service period of employees (between 13 years and 15 years) at the time of recognition.

Actuarial gain/loss is recognized as expenses at an amount allocated proportionately by the straight-line method over the average remaining service years for employees (between 13 years and 20 years) at the time of recognition, starting from the fiscal year following the respective fiscal year of recognition.

8. Accounting standards for recording revenues and expenses

(1) Accounting for lease transactions

1) Accounting standards for recording net sales and cost of sales concerning finance lease transactions

Net sales and cost of sales of leases corresponding to elapsed lease term are recorded, on the basis of monthly lease payment receivable according to lease contract and lease term.

2) Accounting standards for recording net sales concerning operating lease transactions

Lease payment corresponding to elapsed lease term is recorded, on the basis of monthly lease payment receivable according to lease contract and lease term.

(2) Accounting standards for recording net sales and cost of sales for installment sales

At the time of executing installment sales contract, total related receivables are recorded in installment receivables, while also recording net sales and cost of sales of installment that cover the elapsed portion of the period up to the due date under the installment sales contract.

Deferred profit corresponding to undue installment receivables is treated as deferred profit on installment sales under the deferred accounting procedure.

(3) Accounting for financial expenses

Financial expenses are classified for recording purpose into financial expenses associated with operating revenues and other financial expenses.

To achieve such classification, net assets are classified into assets for sales transactions (operating assets) and other assets, and based on the asset balance, financial expenses associated with operating assets are recorded in cost of sales as capital costs, while financial expenses corresponding to other assets are recorded in non-operating expenses.

Capital costs are recorded at the amount of financial expenses associated with operating assets less interest income from the deposits associated with the operating assets.

9. Method for hedge accounting

(1) Method for hedge accounting

Deferral hedge accounting is adopted.

Furthermore, allocation treatment is adopted for currency swap contracts, etc., insofar as they meet its requirements, while specific matching is adopted for interest rate swap contracts insofar as they meet its criteria.

(2) Hedging instruments and hedged items

Hedging instruments	Interest rate swap contracts, currency interest rate swap contracts, foreign exchange forward contracts, foreign currency-denominated liabilities to manage its foreign currency exposures associated with the net investments in the foreign subsidiaries and affiliates and foreign currency-denominated available-for-sale securities
Hedged items	Borrowings, bonds, accounts payable - trade, foreign currency-denominated time deposits, foreign currency exposures associated with the net investments in the foreign subsidiaries and affiliates and foreign currency-denominated available-for-sale securities

(3) Hedging policies and the method for determining hedge effectiveness

The Company engages in derivative transactions in accordance with internal regulations for the purpose of hedging interest rate risk and foreign currency fluctuation risk, with a view to ensuring constant revenues.

With respect to the interest rate risks, given that our main operating assets comprising lease payment receivables and installment receivables generate cash flows with long-term fixed interest rate, while some of the funds raised including bank borrowings are subject to variable interest rate, these risks are managed based on comprehensive asset liability management (ALM), ensuring the notional principals of derivative transactions as hedging instruments would not exceed the ceiling of liability to be hedged, to ensure comprehensive hedging of liabilities. Furthermore, we engage in hedging by interest rate swap contracts with a view to determining interest rate spread in each undertaking.

For the purpose of managing foreign currency fluctuation risks, we engage in hedging by utilizing currency swap contracts, foreign exchange forward contracts, and foreign currency-denominated liabilities, which covers individual foreign currency-denominated assets and liabilities, foreign currency exposures associated with the net investments in the foreign subsidiaries and affiliates, along with foreign currency-denominated available-for-sale securities.

Hedge effectiveness is determined by verifying whether interest rate fluctuation risks and currency fluctuation risks associated with hedged items are mitigated, provided, however, hedge effectiveness is not determined for the interest rate swap contracts subject to specific matching.

These transactions are reported to the ALM Committee on a quarterly basis.

10. Matters that serve as the basis for the preparation of financial statements

(1) Accounting procedures for bonds, etc., held for gaining operating financial revenue (operating securities)

The aforementioned bonds, etc., are included in investment securities at 62,981 million yen, securities at 798 million yen, and investments in other securities of subsidiaries and affiliates at 37,943 million yen. Such financial revenues (interest income, gain from redemption, and gain/loss on investment in partnership attributable to the Company in proportion to shareholding) are included in net sales.

(2) Accounting procedures for retirement benefits

The accounting procedure for unrecognized amount of retirement benefits-related unrecognized actuarial gain/loss and unrecognized prior service cost is different from the equivalent procedure in the consolidated financial statements.

(3) Accounting procedures for consumption tax, etc.

Accounting procedures for consumption tax and local consumption tax are accounted for by the tax exclusion method.

(4) Method and period for amortizing goodwill

Amortized by the straight-line method over 20 years.

[Notes to the Non-Consolidated Balance Sheet]

1. Any fractional amount less than one million is disregarded.

2. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

Installment receivables	16 million yen
Lease receivables	28,578 million yen
Investments in leases	81,469 million yen
Accounts receivable - operating loans	10,980 million yen
Assets for lease	37,050 million yen
Investment securities	6,637 million yen
Shares of subsidiaries and affiliates	1,263 million yen
Investments in other securities of subsidiaries and affiliates	9,908 million yen
Operating lease receivables	2,725 million yen
Total	178,629 million yen

(2) Liabilities corresponding to the assets pledged as collateral

Long-term borrowings (including current portion)	0 million yen
Payables under securitization of lease receivables (including long-term portion)	99,761 million yen
Long-term guarantee deposits	1,187 million yen
Other non-current liabilities	28 million yen
Total	100,976 million yen

(Note) Of the assets pledged as collateral, investments in leases of 313 million yen, accounts receivable - operating loans of 10,411 million yen, assets for lease of 37,050 million yen, investment securities of 6,637 million yen, shares of subsidiaries and affiliates of 1,263 million yen, and investments in other securities of subsidiaries and affiliates of 9,908 million yen serve as security for debt obligations to financial institutions owned by investees, for which revolving pledge or mortgage has been created.

3. Accumulated depreciation of property, plant and equipment

Assets for lease	205,806 million yen
Own-used assets	5,447 million yen
Total	211,253 million yen

4. Guarantee obligations, etc.

(1) Operating guarantee obligations, etc. (including commitment to guarantee)

Amount of business guarantee	10,226 million yen
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(2) Guarantee obligations, etc., for sales transactions at subsidiaries and affiliates (including commitment to guarantee)

Mitsubishi UFJ Lease & Finance (Hong Kong) Ltd.	22,913 million yen
MUL Property Co., Ltd.	2,372 million yen
Argos Shipping Pte. Ltd.	1,026 million yen
Other	919 million yen
Sub-total	27,233 million yen

(3) Guarantee obligations, etc., for bank borrowings at subsidiaries and affiliates (including commitment to guarantee)

MUL Asset Finance Corporation	275,448 million yen
JSA International U.S. Holdings, LLC	92,505 million yen
Mitsubishi UFJ Lease & Finance (Hong Kong) Ltd.	71,907 million yen
Mitsubishi UFJ Lease & Finance (U.S.A.) Inc.	71,081 million yen
Bangkok Mitsubishi UFJ Lease Co., Ltd.	49,316 million yen
PT. Mitsubishi UFJ Lease & Finance Indonesia	39,459 million yen
Mitsubishi UFJ Lease (Singapore) Pte. Ltd.	30,021 million yen
Jackson Square Aviation Ireland Ltd.	29,140 million yen
Mitsubishi UFJ Lease & Finance (China) Co. Ltd.	20,136 million yen
Engine Lease Finance Corporation	10,794 million yen
PT. Takari Kokoh Sejahtera	7,940 million yen
Dialease Maritime S.A.	5,150 million yen
Other	1,457 million yen
Sub-total	704,360 million yen

(4) Guarantee obligations, etc., for bank borrowings by parties other than subsidiaries and affiliates (including commitment to guarantee)

Employees (housing funds)	37 million yen
Total	741,857 million yen

5. Breakdown of lease receivables and investments in leases

	Lease receivables	Investments in leases
Amount of receivables	267,721 million yen	993,162 million yen
Estimated residual value	-	32,787 million yen
Amounts equivalent to interest income	(23,016) million yen	(203,282) million yen
Total	244,705 million yen	822,667 million yen

6. Deposit certificates associated with trade receivables

Installment receivables	2,557 million yen
Lease receivables	282 million yen
Investments in leases	416 million yen

7. Operating lease receivables for remaining lease terms

Deposit certificates	0 million yen
Other lease receivables	88,146 million yen
Total	88,147 million yen

8. Trade receivables due after one year

Installment receivables	98,747 million yen
Lease receivables	214,262 million yen
Investments in leases	761,227 million yen
Operating lease receivables for remaining lease terms	62,854 million yen
Total	1,137,092 million yen

9. Monetary receivables from and monetary payables to subsidiaries and affiliates

Accounts receivable - operating loans	1,150,007 million yen
Other monetary receivables	93,611 million yen
Monetary payables	76,961 million yen

10.Reduction entry is made for assets for lease due to acceptance of government subsidy.

Amount of reduction entry in the fiscal year ended March 31, 2020	- million yen
Accumulated amount of reduction entry	810 million yen

[Notes to the Non-Consolidated Statement of Income]

1. Any fractional amount less than one million is disregarded.

2. Amounts of transactions with subsidiaries and affiliates

Net sales	51,495 million yen
Cost of sales	2,379 million yen
Selling, general and administrative expenses	2,080 million yen
Purchase of lease assets, etc.	12,408 million yen
Other non-operating transactions	37,818 million yen

3. Breakdown of capital costs

Interest expenses	17,221 million yen
(Interest income)	(524) million yen

Total	16,697 million yen
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[Notes to the Non-Consolidated Statement of Changes in Net Assets]

1. Any fractional amount less than one million is disregarded.

2. Matters related to the class and total number of treasury shares

	Number of shares at the beginning of the fiscal year ended March 31, 2020	Increase in the number of shares in the fiscal year ended March 31, 2020	Decrease in the number of shares in the fiscal year ended March 31, 2020	Number of shares at the end of the fiscal year ended March 31, 2020
Total number of treasury shares				
Common stock (Note)	5,338 thousand shares	- thousand shares	576 thousand shares	4,761 thousand shares
Total	5,338 thousand shares	- thousand shares	576 thousand shares	4,761 thousand shares

(Note) The decrease of 576 thousand shares in the number of treasury shares of common stock is due to the exercise of stock options.

[Notes on Tax Effect Accounting]

1. Breakdown of main causes for deferred tax assets and deferred tax liabilities

(1) Deferred tax assets

Income retained at specified foreign subsidiary companies, etc.	15,886 million yen
Advances received - lease	4,974 million yen
Allowance for doubtful accounts	4,355 million yen
Shares of subsidiaries and affiliates, etc.	4,075 million yen
Asset retirement obligations	3,096 million yen
Depreciation of assets for lease	2,170 million yen
Other	7,830 million yen
<hr/>	
Deferred tax assets - sub-total	42,389 million yen
<hr/>	
Valuation allowance	(3,315) million yen
<hr/>	
Total deferred tax assets	39,073 million yen

(2) Deferred tax liabilities

Valuation difference on available-for-sale securities	(7,310) million yen
Deferred gains or losses on hedges	(6,248) million yen
Deferred revenues from certain finance lease transactions	(5,026) million yen
Other	(516) million yen
<hr/>	
Total deferred tax liabilities	(19,102) million yen
<hr/>	
Balance of net deferred tax assets	19,971 million yen

2. Breakdown of main causes for the discrepancy between effective statutory tax rate and income tax burden rate after adoption of tax effect accounting

Effective statutory tax rate	30.6%
(Adjustments)	
Items permanently excluded from taxable income including dividend income	(20.6)%
Decrease in valuation allowance	(2.3)%
Income retained at specified foreign subsidiary companies, etc.	2.2%
Amortization of goodwill	1.5%
Other	1.1%
<hr/>	
Income tax burden rate after adoption of tax effect accounting	12.5%

[Notes on Non-Current Assets Used Under Lease Contracts]

Non-current assets used under lease contracts include vehicles (passenger cars), etc.

[Notes on Transactions with Related Parties]

(1) Subsidiaries, affiliates, and other entities

Status	Names of entities	Holding/ held ratio of voting rights	Relationship with related parties	Description of transactions	Amounts of transaction (Millions of yen)	Account name	Fiscal year- end balance (Millions of yen)
Subsidiary	Hirogin Lease Co. Ltd.	(Holding) Direct 80%	Loan of business funds Interlocking officers	Loan of business funds	44,440	Accounts receivable - operating loans	47,960
				Receipt of interests	103	-	-
Subsidiary	Shutoken Leasing Co., Ltd.	(Holding) Direct 70.71%	Loan of business funds	Loan of business funds	170,700	Accounts receivable - operating loans	90,276
				Receipt of interests	175	-	-
Subsidiary	DRS Company Limited	(Holding) Direct 100%	Loan of business funds	Loan of business funds	59,000	Accounts receivable - operating loans	53,929
				Receipt of interests	98	-	-
Subsidiary	MUL Energy Investment Company Limited	(Holding) Direct 100%	Loan of business funds Interlocking officers	Loan of business funds	40,942	Accounts receivable - operating loans	57,745
				Receipt of interests	108	-	-
Subsidiary	JAPAN MEDICAL LEASE CORPORATION	(Holding) Direct 100%	Loan of business funds	Loan of business funds	73,100	Accounts receivable - operating loans	72,666
				Receipt of interests	152	-	-
Subsidiary	MUL Property Co., Ltd.	(Holding) Indirect 100%	Loan of business funds Lease of buildings Interlocking officers	Loan of business funds	93,992	Accounts receivable - operating loans	76,650
				Receipt of interests	390	-	-
				Receipt of lease payment	13,617	Investments in leases	67,795
				Payment of rent on land	743	Long-term guarantee deposits paid	379
				-	-	Long-term guarantee deposits	25,804
Subsidiary	Diamond Asset Finance Company Limited	(Holding) Direct 100%	Loan of business funds Interlocking officers	Loan of business funds	119,700	Accounts receivable - operating loans	211,000
				Receipt of interests	648	-	-

Status	Names of entities	Holding/ held ratio of voting rights	Relationship with related parties	Description of transactions	Amounts of transaction (Millions of yen)	Account name	Fiscal year- end balance (Millions of yen)
Subsidiary	MUL Realty Investment Company Limited	(Holding) Direct 100%	Loan of business funds Interlocking officers	Loan of business funds	27,700	Accounts receivable - operating loans	56,657
				Receipt of interests	163	–	–
Subsidiary	Mitsubishi UFJ Lease & Finance (Hong Kong) Ltd.	(Holding) Direct 100%	Guarantee of obligations	Guarantee of obligations	94,821	–	–
Subsidiary	Bangkok Mitsubishi UFJ Lease Co., Ltd.	(Holding) Direct 44%	Guarantee of obligations	Guarantee of obligations	49,320	–	–
Subsidiary	Mitsubishi UFJ Lease & Finance (U.S.A.) Inc.	(Holding) Direct 100%	Guarantee of obligations	Guarantee of obligations	71,081	–	–
Subsidiary	JSA International Holdings, L.P.	(Holding) Direct 100%	–	Gain on investments in investment partnerships	7,775	–	–
Subsidiary	MUL Asset Finance Corporation	(Holding) Indirect 100%	Loan of business funds Guarantee of obligations	Loan of business funds	83,907	Accounts receivable - operating loans	27,207
				Receipt of interests	449	–	–
				Guarantee of obligations	275,448	–	–
				Receipt of dividends	7,974	–	–
Subsidiary	JSA International U.S. Holdings, LLC	(Holding) Indirect 100%	Loan of business funds Guarantee of obligations	Loan of business funds	2,552	Accounts receivable - operating loans	82,199
				Receipt of interests	3,895	–	–
				Guarantee of obligations	92,505	–	–
Subsidiary	Jackson Square Aviation Ireland Ltd.	(Holding) Indirect 100%	Loan of business funds	Loan of business funds	26,923	Accounts receivable - operating loans	153,927
				Receipt of interests	6,200	–	–
Subsidiary	Dialease Maritime S.A.	(Holding) Direct 100%	Loan of business funds	Loan of business funds	6,757	Accounts receivable - operating loans	79,782
				Receipt of interests	1,276	–	–
Subsidiary	ADONIS SHIPPING PTE. LTD.	(Holding) Direct 100%	–	Debt waiver (Note 3)	3,561	–	–

(2) Sister companies, etc.

Status	Name of entities	Holding/ held ratio of voting rights	Relationship with related parties	Description of transactions	Amounts of transaction (Millions of yen)	Account name	Fiscal year- end balance (Millions of yen)
Subsidiary of other subsidiaries and affiliates	MUFG Bank, Ltd.	(Held) Direct 6.11%	Borrowing of business funds	Borrowing of short-term business funds	800,422	Short-term borrowings	101,090
				Borrowing of long-term business funds	30,000	Long-term borrowings	276,790
				Payment of interest	8,769	–	–
Subsidiary of other subsidiaries and affiliates	Lawson, Inc. (Note 4)	–	Lease transactions	Receipt of lease payment	18,421	Investments in leases	142,070

- Notes:
- References are omitted on the transactions applicable under Article 112, Paragraph 2 of Regulation on Corporate Accounting.
 - Interest rate applicable to the loan of business funds, lease transactions (including lease of buildings), and borrowings are determined in consideration of market rate.
 - Debt waiver of loans was provided to ADONIS SHIPPING PTE. LTD. at its liquidation.
 - Fiscal year-end balance includes co-leasing transactions recorded on the balance sheet at an amount before deduction of interest equivalent.

[Notes on Per Share Information]

Net assets per share	569.07 yen
Profit per share	43.53 yen

[Notes on Company Subject to Consolidated Dividend Regulations]

The Company is a company subject to consolidated dividend regulations.

[Other Notes]

1. Notes on retirement benefits

(1) Outline of the retirement benefits system adopted by the Company

The Company has adopted a contract-type defined benefit corporate pension plan since February 1, 2011, as a defined benefit plan pursuant to the Defined-Benefit Corporate Pension Act, and has adopted a defined contribution pension plan since October 1, 2016 as a defined contribution plan.

(2) Defined benefit plan

1) Reconciliation between beginning balance and ending balance of retirement benefit obligations

Beginning balance of retirement benefit obligations	22,587 million yen
Service cost	1,179 million yen
Interest cost	126 million yen
Amount of actuarial gain/loss incurred	(273) million yen
Payment of retirement benefits	(318) million yen
Ending balance of retirement benefit obligations	23,300 million yen

2) Reconciliation between beginning balance and ending balance of plan assets	
Beginning balance of plan assets	20,847 million yen
Expected return on plan assets	354 million yen
Amount of actuarial gain/loss incurred	(762) million yen
Contributions from the employer	1,240 million yen
Payment of retirement benefits	(318) million yen
Ending balance of plan assets	21,360 million yen
3) Reconciliation between ending balances of retirement benefit obligations and plan assets, and the provision for retirement benefits recorded on the balance sheet	
Retirement benefit obligations	23,300 million yen
Plan assets	(21,360) million yen
Unfunded retirement benefit obligations	1,940 million yen
Unrecognized actuarial gain/loss	(2,140) million yen
Unrecognized prior service cost	372 million yen
Provision for retirement benefits	172 million yen
4) Retirement benefit expenses and their components	
Service cost	1,179 million yen
Interest cost	126 million yen
Expected return on plan assets	(354) million yen
Amount of actuarial gain/loss recognized as expenses	343 million yen
Amount of prior service cost recognized as expenses	87 million yen
Sub-total	1,382 million yen
Other	9 million yen
Total retirement benefit expenses	1,391 million yen
5) Matters related to plan assets	
i) Main components of plan assets	
Asset mix of the total plan assets is as follows:	
General account	47%
Debt investments	23%
Equity investments	15%
Alternative investments (Note)	13%
Other	2%
Total	100%
(Note) Alternative investments are intended to promote risk distribution, mainly targeting hedge funds.	
ii) Method for determining long-term expected rates of return on plan assets	
Long-term expected rates of return on plan assets are determined in consideration of the current as well as future (anticipated) asset mix of the plan assets, along with the current as well as future long-term expected rates of return from the various components of the plan assets.	
6) Matters concerning the basis for actuarial calculations	
Main basis for actuarial calculations as at the end of the fiscal year ended March 31, 2020	
Discount rate	0.56%
Long-term expected rate of return on plan assets	1.7%
(3) Defined contribution plan	
Amount of contribution required of the Company to the defined contribution pension plan in the fiscal	

year ended March 31, 2020 was 283 million yen.

2. Notes on lease transactions

(1) Schedule by duration of lease receivables and the portion of lease payment receivables in investments in leases (each before deduction of interest income equivalent)

	Lease receivables	Portion of lease payment receivables in investments in leases
One year or less	53,459 million yen	231,935 million yen
Longer than one year but not exceeding two years	50,352 million yen	193,953 million yen
Longer than two years but not exceeding three years	41,287 million yen	157,812 million yen
Longer than three years but not exceeding four years	32,839 million yen	118,824 million yen
Longer than four years but not exceeding five years	23,914 million yen	82,064 million yen
Longer than five years	65,868 million yen	208,572 million yen
Total	267,721 million yen	993,162 million yen

(2) Amounts of sublease transactions and co-leasing transactions recorded on the balance sheet at amounts before deduction of interest income equivalent

1) Sublease transactions

Investments in leases	1,358 million yen
Lease obligations	1,446 million yen

2) Co-leasing transactions

Lease receivables	28,040 million yen
Investments in leases	75,758 million yen
Lease obligations	106,996 million yen

(3) Remaining lease payment for operating lease transactions

One year or less	25,292 million yen
In excess of one year	62,854 million yen
Total	88,147 million yen

Independent Auditor's Report
(English Translation)

May 19, 2020

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

Deloitte Touche Tohmatsu LLC	
Tokyo Office	
Designated Limited Liability Partner	Hideo Shirata, CPA
Engagement Partner	
Designated Limited Liability Partner	Motohiro Shimizu,
Engagement Partner	CPA
Designated Limited Liability Partner	Aki Saito, CPA
Engagement Partner	

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Mitsubishi UFJ Lease & Finance Company Limited (the "Company") for the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Statutory Auditors and the Board of Statutory Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the 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 whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

Our responsibility is 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 express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Independent Auditor's Report
(English Translation)

May 19, 2020

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

Deloitte Touche Tohmatsu LLC	
Tokyo Office	
Designated Limited Liability Partner	Hideo Shirata, CPA
Engagement Partner	
Designated Limited Liability Partner	Motohiro Shimizu,
Engagement Partner	CPA
Designated Limited Liability Partner	Aki Saito, CPA
Engagement Partner	

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Mitsubishi UFJ Lease & Finance Company Limited (the "Company") for the 49th fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Statutory Auditors and the Board of Statutory Auditors for the Financial Statements and the Accompanying Supplementary Schedules

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

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Audit Report (English Translation)

The Board of Statutory Auditors deliberated on the execution of Directors' duties in the 49th fiscal year between April 1, 2019 and March 31, 2020, based on the audit report prepared by each Statutory Auditor, and then prepared this audit report which is submitted hereunder.

1. Method and nature of audit by the Statutory Auditors as well as by the Board of Statutory Auditors

- (1) The Board of Statutory Auditors formulated the audit policy and job allocation, and received reports from each Statutory Auditor on the progress and results of audit, while receiving reports from Directors and the Accounting Auditor on the status of execution of their duties, asking for explanation as appropriate.
- (2) We carried out audit in the following manner, in compliance with the audit policy and job allocation based on the Statutory Auditors' auditing standards set out by the Board of Statutory Auditors, while striving to maintain good communication with Directors and employees including the staff of the internal audit department, collecting information, and developing an adequate audit environment.
 - (i) We attended the Board of Directors meetings and other important meetings, receiving reports from Directors and employees on the status of their execution of duties while requesting explanations as appropriate, and inspected documents certifying important approvals while examining status of operation and assets at head office as well as main business premises. Furthermore, we received business reports from subsidiaries as appropriate, while striving to have communication and exchange of information with Directors and Statutory Auditors thereof.
 - (ii) We regularly received reports and requested explanations as needed from Directors, employees, and other concerned parties while expressing opinions, on the development and operation of the system to ensure Directors execute their duties stipulated in the business report in compliance with laws, regulations, and the Articles of Incorporation, as well as the system in place based on the resolution of the Board of Directors on the development of the system to ensure adequacy of the business execution at a corporate group comprising a stock corporation and its subsidiaries (internal control system) as required under Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act. As for the internal control system concerning financial reporting, we received reports and requested explanations as appropriate from Directors, etc., as well as Deloitte Touche Tohmatsu LLC, on the evaluation of the internal control system and the progress of audit.
 - (iii) We monitored and verified whether the Accounting Auditor was maintaining an independent standpoint and appropriately conducting audit, while receiving reports and seeking explanations as appropriate from the Accounting Auditor on the status of its execution of duties. Furthermore, we received confirmation from the Accounting Auditor that the "system to ensure appropriate execution of an accounting auditor's duties" (matters listed in Article 131 of the Regulation on Corporate Accounting) was in place, pursuant to the "Standards on Quality Control for Audit" (Business Accounting Council, October 28, 2005), etc., while requesting explanations as appropriate.

Based on the foregoing procedure, the Board of Statutory Auditors examined the business report and its supplementary schedule, financial statements (balance sheet, statement of income, statement of changes in net assets, and the notes to the non-consolidated financial statements), and their supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and the notes to the consolidated financial statements).

2. Audit results

- (1) Results of the audit of business report

- (i) In our opinion, the business report and its supplementary schedule are prepared in compliance with laws, regulations, and the Articles of Incorporation, accurately reflecting the status of the company.
- (ii) We found neither wrongdoing concerning Directors' execution of duties nor material facts of non-compliance with laws, regulations, and the Articles of Incorporation.
- (iii) We certify the appropriateness of the resolutions of the Board of Directors on the internal control system. Furthermore, we found no matters of note with respect to the description of the internal control system in the business report and the execution of duties by Directors.

With respect to the internal control system concerning financial reporting, we received a report from Directors, etc., as well as Deloitte Touche Tohmatsu LLC, that such internal control system was valid as of the preparation of this audit report.

- (2) Results of audit of financial statements and their supplementary schedule
We certify the appropriateness of the methodology and the results of audit by Deloitte Touche Tohmatsu LLC.
- (3) Results of audit of the consolidated financial statements
We certify the appropriateness of the methodology and the results of audit by Deloitte Touche Tohmatsu LLC.

May 22, 2020

Board of Statutory Auditors, Mitsubishi UFJ Lease & Finance Company Limited

Statutory Auditor	Naohito Suzuki
Statutory Auditor	Shuji Miake
Statutory Auditor	Naoki Matsumuro
Outside Statutory Auditor	Shota Yasuda
Outside Statutory Auditor	Hiroyasu Nakata
Outside Statutory Auditor	Hiroshi Minagawa