Value Integrator

MUFG

Mitsubishi UFJ Lease & Finance

The Mitsubishi UFJ Lease & Finance Group will draw on resources Group-wide to offer optimal solutions to customers. The Group provides diversified financial services, including not just finance lease but also operating lease, auto lease, eco-related services, medical-related services, real estate-related services and more.

"Integrating Value for Growth"

Annual Report 2010

For the Fiscal Year Ended March 31, 2010

Management Philosophy

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

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

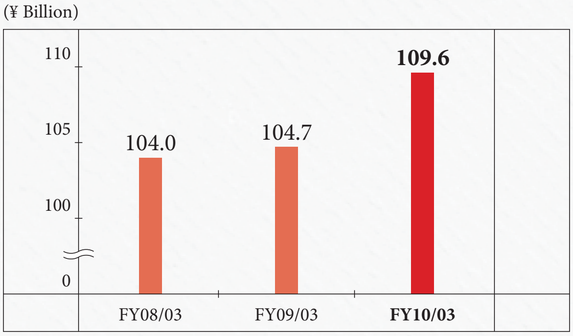
We aim to play a part in the development of regions and society by pursuing environmentally considerate corporate activities in compliance with laws and regulations.

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

At a Glance

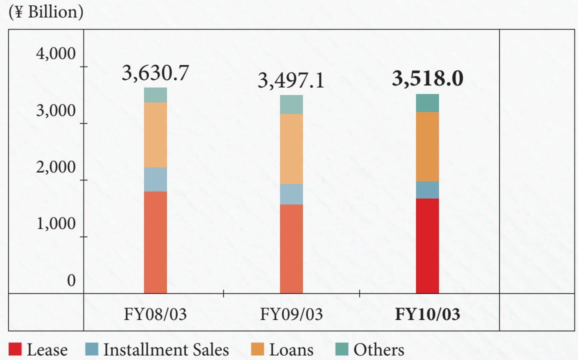
Gross Profit

(¥ Billion)



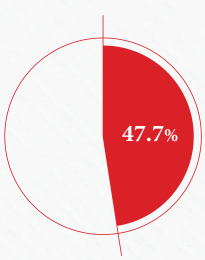
Operating Assets

(¥ Billion)



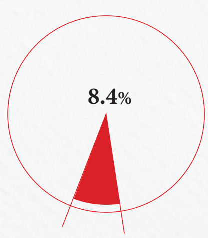
Operating Assets by Segment

Lease Business



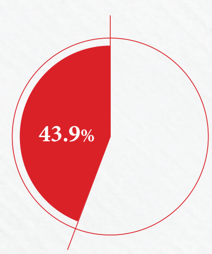
Lease of IT and office automation equipment, industrial machinery, and other equipment

Installment Sales Business



Installment sales for commercial facilities, production facilities, civil engineering equipment, etc.

Loans and Other Businesses



Financial loans. Also, sales of IT equipment and industrial machinery, guarantees, etc.

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Value Integrator

The phrase "Value Integrator" encapsulates Mitsubishi UFJ Lease & Finance's corporate philosophy of creating new value by using leasing and financing as the means to integrate the current values of its tangible and intangible assets.

Forward-Looking Statements

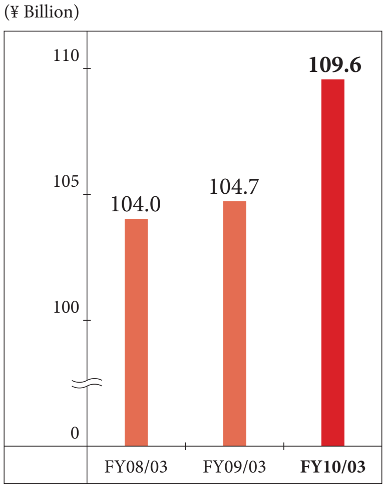
Future forecasts and estimations regarding management and financial information in connection with Mitsubishi UFJ Lease & Finance Company Limited that are stated in this Annual Report have been made at our own discretion on the basis of information that we were able to obtain at the time of preparing this document. Please be aware that these forecasts and estimations contain risks and uncertainties, and that actual results may differ as a result of economic circumstances or other changes.

Financial Highlights

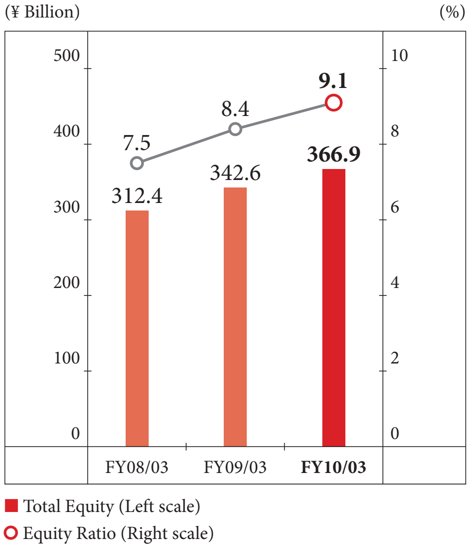
Years Ended March 31, 2010, 2009 and 2008

	Mitsubishi UFJ Lease & Finance Company Limited and its consolidated subsidiaries			
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2010	2009	2008	2010
For the year:				
Total revenues	¥ 747,043	¥ 818,619	¥ 987,056	$ 8,032,720
Gross profit	109,569	104,715	104,031	1,178,161
Net income	20,727	7,146	30,246	222,871
At year-end:				
Total assets	¥3,885,161	¥3,909,077	¥3,965,891	$41,775,925
Total equity	366,892	342,633	312,352	3,945,075
Number of shares of common stock outstanding (excluding treasury stock, thousands)	89,556	89,556	80,292	
	Yen			U.S. Dollars
Per share of common stock:				
Basic net income	¥ 231.44	¥ 80.17	¥ 376.70	$ 2.49
Cash dividends applicable to the year	48.00	46.00	42.00	0.52
	%			
Ratios:				
Return on equity (ROE)	6.1	2.3	13.6	
Return on assets (ROA)	0.5	0.2	1.0	
Equity ratio	9.1	8.4	7.5	

Gross Profit



Total Equity/Equity Ratio



Note: The U.S. Dollar amounts have been translated from the amounts stated in yen, solely for the convenience of readers, at the rate of ¥93=U.S.$1, the approximate exchange rate on March 31, 2010, which was the final business day of financial institutions in fiscal 2010.

Message From the CEO

Ryuichi Murata
President & CEO

Promoting and Accelerating Measures and Strategies for Sustainable Growth

The Year in Review

During the year ended March 31, 2010 we began to come out from the bottom of the global recession triggered by the financial crisis. Nevertheless, steps toward recovery were slow, and the external environment remained unpredictable.

Amid this environment, Mitsubishi UFJ Lease & Finance steadily promoted the management strategies outlined in our ***Vision 2010***, medium-term management plan, and focused on building the foundations for sustainable growth.

One of our growth strategies is to "expand the unique services by increasing the functions provided in the value chain and taking a wider variety of asset and business risks." To this end, we worked to build up a wide range of products and services that reach beyond the scope of lease and finance services.

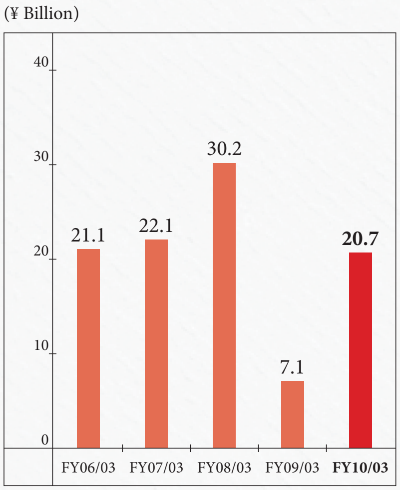
In the real estate related business, in July 2009 we acquired a majority share of Miyuki Building Co., Ltd., a real estate management company, thereby enlarging our services and functions in the real estate value chain.

In the eco-related business, we made solid efforts in the ESCO (Energy Service Company) and carbon offset business in Japan. Furthermore, we promoted financial activities associated with energy efficiency and eco-related finances in Asia in collaboration with the International Finance Corporation (IFC), a member of the World Bank Group.

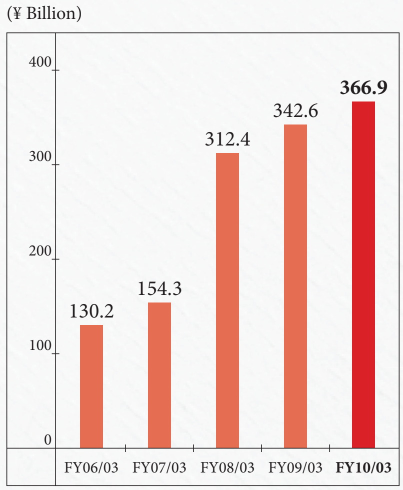
In addition, in order to accelerate global business development we have formed an alliance with major Asian financial group Financial One Corp. to promote business in Asia. We also established a new office on the U.S. West Coast, steadily strengthening our foundations.

In the area of strengthening management foundation strategy, we focused our efforts on building a foundation for sustainable growth. To this end, we established and improved various frameworks and business

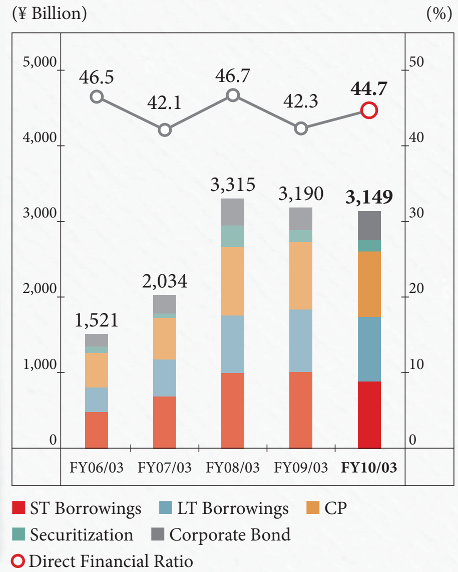
Net Income



Total Equity



Funding Procurement Status



processes geared toward bolstering group management, and enhanced the power and sophistication of our sales capabilities and methods.

Results for the Fiscal Year Ended March 31, 2010

Mitsubishi UFJ Lease & Finance worked to upgrade our sales foundation by offering value-added products and services. Against the backdrop of the ongoing recession, however, private-sector capital expenditure sentiment remained lackluster, and as a result the consolidated volume of new transactions fell by 23.7% year on year to ¥1,301.5 billion.

In terms of revenues, in February of 2009 former consolidated subsidiary Central Auto Lease was removed from the scope of consolidation. As a result of this and other factors, total revenues declined by 8.7% year on year to ¥747.0 billion.

On the earnings front, we emphasized profitability in our operating activities, and procured stable funds at low interest rates. As a result, gross profit grew 4.6% year on year to ¥109.6 billion. However, SG&A expenses such as credit costs related to doubtful assets (including general provision) increased, resulting in a decline in operating income of 4.0%, to ¥25.8 billion.

Meanwhile, the Company recognized an extraordinary profit on negative goodwill due to the consolidation of Miyuki Building Co., Ltd., which became a subsidiary in July 2009, as well as a decrease in loss on revaluation of investment securities. As a result, net income was up 190.1% from the previous year to ¥20.7 billion.

At March 31, 2010, total assets stood at ¥3,885.2 billion, representing a drop of 0.6% from the previous fiscal year-end. Total equity was up 7.1% from the previous fiscal year-end to ¥366.9 billion as a result of the gain in net income, and the equity ratio was 9.1%, up 0.7 points year on year.

Our Financial Strategy

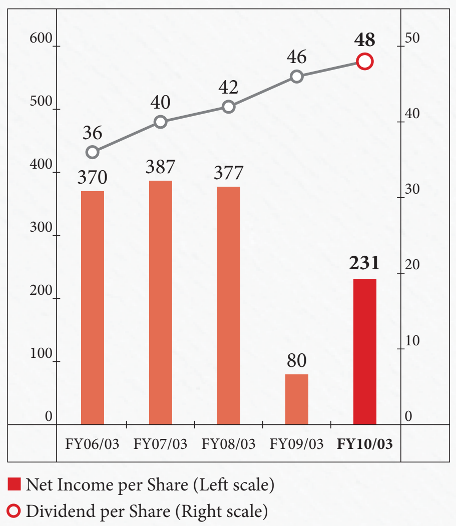
Mitsubishi UFJ Lease & Finance has earned top-level ratings in the industry from reputable credit rating agencies. These ratings reflect the high acclaim we have received for our broad business base and capital structure, as well

External Ratings

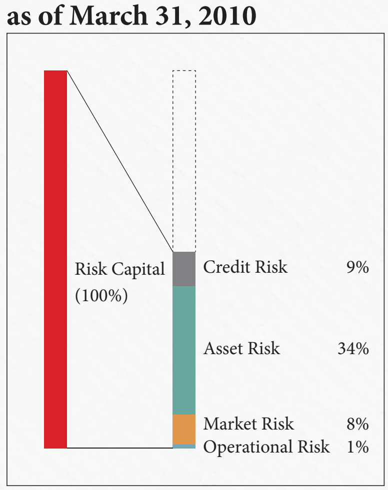
Rating Agency	Long-Term Rating	Short-Term Rating
JCR (Japan Credit Rating Agency, Ltd.)	**AA-** (Long-term preferential debt)	**J-1+**
R&I (Rating and Investment Information, Inc.)	**A+** (Issuer rating)	**a-1**
Moody's Investors Service	**A1** (Long-term issuer rating)	**P-1**

(as of June 29, 2010)

Steadily Increasing Dividend



Risk Capital Allocation as of March 31, 2010



Note: Mitsubishi UFJ Lease & Finance uses Internal Capital Adequacy Assessment Process ("ICAAP"), an approach to quantify various risks and enable reinforcement of performance assessment by allocating risk capital to strategic segments.

as our ability to deliver diversified products and services with strict risk management processes. Thus, even in these uncertain times for the financial sector, we have been able to procure stable funds at low interest rates.

Taking advantage of this competitiveness, we have diversified our funding resources such as long-term debt, commercial paper, and corporate bonds.

In addition, we implement appropriate management of the various risks faced by the Mitsubishi UFJ Lease & Finance Group in the course of our business, with the aim of reducing risk exposure while maximizing profit. To this end, each month we convene the ALM (Asset Liability Management) Committee, and we have compiled measures to address the risks associated with fluctuations in interest rates and currency risk.

Dividend Policy

Mitsubishi UFJ Lease & Finance is dedicated to sustained improvement of corporate value, and we aim to meet the expectations of our shareholders and other investors by enhancing shareholder returns.

We increased dividends for an 11th consecutive year in the fiscal year under review, declaring a dividend of ¥48.00 per share, up ¥2.00 from the previous fiscal year.

Strategic Businesses: Progress and Future Developments

During the fiscal year under review, we tackled each of the measures and strategies outlined in our ***Vision 2010*** medium-term management plan.

Growth Strategy

As I mentioned earlier, one of our four growth strategies is to "expand the unique services by increasing the functions provided in the value chain and taking a wider variety of asset and business risks." In this area, we worked to expand our variety of service offerings through alliances both in Japan and overseas. In the real estate business, for example, in 2009 we acquired a majority share of Miyuki Building Co., Ltd., which owns and manages favorably located properties in Tokyo, Osaka, Nagoya, and other major cities. This addition to the Group has enabled us to strengthen our offerings in the real estate value chain.

Another strategy is to accelerate global business development. Here, we formed a business alliance with major Asian finance group Financial One Corp., established a Los Angeles branch, and took other actions to create a foundation for accurately responding to customers' diversifying needs.

Strategy for Strengthening the Business Foundation

In terms of advancing management, we enhanced our risk management. This included a number of measures to improve and enhance the screening framework, such as introducing screening systems for each type of risk and each segment and implementing risk management at every business stage. We also established a Credit Training &

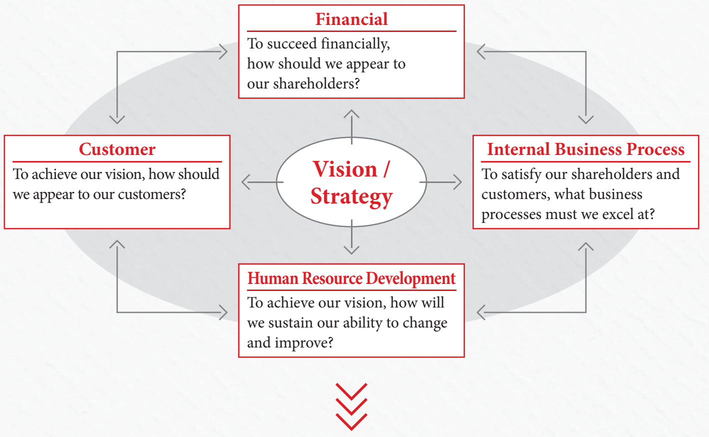
Education Office and improved screening capabilities at our offices. Moreover, in order to implement advanced risk management for the various risks facing the company and ensure appropriate allocation of Group resources, we introduced the Internal Capital Adequacy Assessment Process (ICAAP) to quantify various risks and to allocate risk-capital to strategic segments.

In addition to strengthening and promoting Group management, we also increased the sophistication of our portfolio management, and prepared our management frameworks to respond to expanded business areas.

In terms of enhancing the power and sophistication of our sales capabilities and methods, in addition to short-term measures we implemented medium- to long-term initiatives, and integrated their various processes at each level (company, branch, and individual). For each, we clarified the mission and targets, and introduced BSC (balanced scorecard) practices for progress management.

We also reformed our human resource management, developed our management oversight systems, and strengthened our compliance and information security frameworks, reinforcing the business foundation with a view to achieving sustainable growth.

BSC (Balanced Scorecard) Framework



Company, branches, and individuals
- Strategy Map
- Score Card

Future Initiatives

The business environment has changed dramatically since the time when we formulated our medium-term management plan, but the direction and framework of our strategies remain unchanged. Going forward we will further accelerate these strategies with the aim of achieving sustainable growth.

In light of the current environment, we will take on two themes in addition to the strategies described above.

The first is strengthening our existing businesses—in particular, reinforcing our core businesses. We will reinforce the leasing, installment sales and other core businesses that support a stable profit base at the same time that we promote strategic businesses. Specifically, we will make our efforts toward small and medium-sized corporate customers stronger than ever

Vision 2010

Growth Strategy

(1) Expand unique MUL services by increasing the functions provided in the value chain and taking a wider variety of asset and business risks

Operating Lease	Used Equipment Purchase and Sale
Real Estate	Energy Conservation, Environment
Medical and Nursing	

(2) Accelerate development on a global basis
(3) Strengthen customer contacts
(4) Promote external growth strategy

- Consolidation of Miyuki Building
- Strategic alliance with Philips Electronics Japan with regard to medical equipment sales
- Alliance with Block Imaging International with regard to trading used medical equipment
- Cooperation agreement to promote eco-related business in Asia with International Finance Corp.
- Alliance with Financial One to promote various businesses in Asia (Taiwan, China, Vietnam, etc.)
- Established Los Angeles Branch
- Deployed programs to improve sales productivity
- Established Middle Market Business Planning Office

Strategy to Strengthen Management Base

(1) Use more advanced management techniques
(2) Strengthen sales capacity and use more advanced techniques
(3) Improve efficiency
(4) Strengthen IT strategy
(5) Foster new corporate culture
(6) Reform human resources management
(7) Establish credibility

- Reinforce group management
- Executive Camp
- Established Operating Units/Business Center
- Built management IT system
- Deployed "*Credo-Meister*", Code of Conduct Awards
- Transparent human resources management
- Internal Capital Adequacy Assessment Processes
- Strengthen compliance
- Reinforce information security

Going Forward

Reinforce Existing Business
- Re-strengthen core business
- Improve sales capacity, efficiency

Accelerate Growth Business
- Environment
- Asset management
- Global asset finance
- Global business

Promote and Accelerate Strategies

before. We have established the Middle Market Business Planning Office to take charge of planning and promoting our business strategy in this segment. Going forward we will expand our lineup of products and services to meet the diverse needs of medium-sized customers, and boost our overall customer base.

The second theme is accelerating growth businesses. By this we mean that we will pursue further efforts in the four areas of environment, global business, asset management, and global asset finance.

In the eco-related business and international business, we will roll out global operating activities in a coordinated manner. In the asset management business we will further refine ***e-Leasing Direct***, in which we have our own special expertise to improve our response to increasingly sophisticated asset management needs. Finally, in global asset finance we will continue to increase the sophistication of risk management and develop operations.

Mitsubishi UFJ Lease & Finance will steadily implement the measures and strategies outlined in our medium-term management plan with the aim of achieving sustainable growth in order to meet the expectations of all of our stakeholders. Meanwhile, we will strengthen and improve our corporate governance system, entrench legal compliance, and strive to make our business activities eco-friendly so that we can co-exist in prosperity with all our stakeholders.

We at Mitsubishi UFJ Lease & Finance look forward to your continued support as we rise to meet the challenges ahead.

Ryuichi Murata
President & CEO

Special Feature:

Integrating

Our Strategy

Customers' needs are becoming even more diverse and advanced amid tumultuous changes in the operating environment. Mitsubishi UFJ Lease & Finance has all the strengths needed to devise the best possible solutions for each customer, backed by a long list of accomplishments, extensive know-how in many fields, and a broad customer base.

We are determined to achieve sustainable growth as a paradigm shift fundamentally redefines our markets. To succeed, we must provide customers with new forms of value that are possible only by using our unique strengths. To set forth the actions needed to accomplish this goal, we established a medium-term management plan called ***Vision 2010***. Since starting this plan, we have used its strategic objectives as the basis for many initiatives aimed at better meeting customers' needs.

The following pages explain the actions we have taken during the plan, accomplishments to date and our plans for making even more progress.

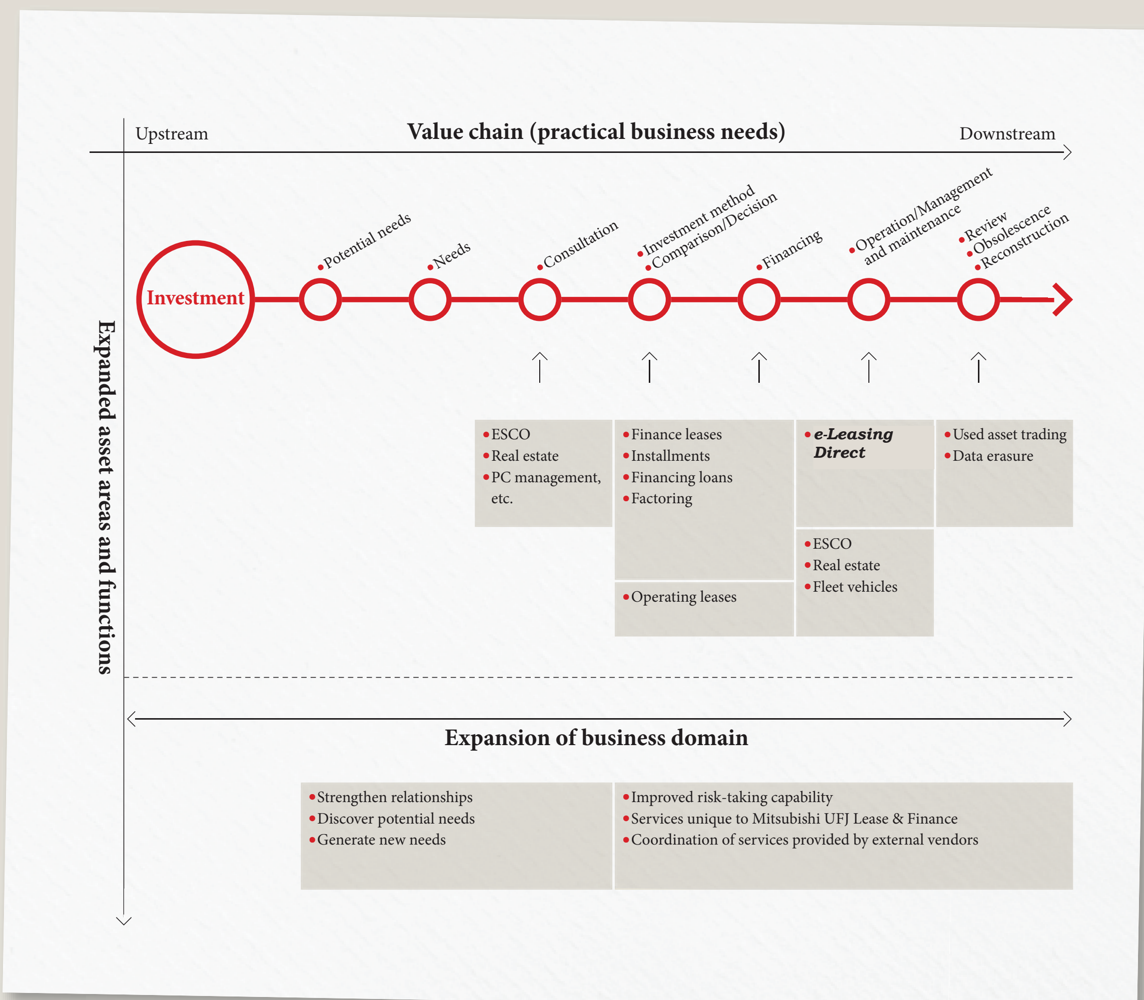
We will continue to focus on anticipating the emerging requirements of customers. Our goal is to achieve sustainable growth as we channel resources to growing market sectors and work on offering more functions and using a greater variety of business methods.

Expanding the Value Chain page **10**

Leading the Future page **14**

Creating More Global Opportunities page **18**

Value for Growth



Expanding the Value Chain

Expanding the Value Chain

Mitsubishi UFJ Lease & Finance (MUL) is expanding its ability to offer various services and functions in the value chain. Delivering this value is essential to creating the best possible solution for each customer.

In the real estate domain value chain, our products and services are spreading from non-recourse loans to property management. We offer non-recourse loans to finance office buildings, shopping centers and other projects. Our services encompass a multitude of needs in this market sector.

"SYMPHONY," real estate leases are ideal for operators of restaurant or store chains and for other businesses. For apartment owners, we offer the Owner Loan. Expertise includes private finance initiative (PFI) projects, too. We assist in utilizing private-sector funding and management know-how to build public-sector projects and offer government services in an efficient and effective manner. We are continuing to enlarge our real estate services. In 2009, we acquired a majority share of Miyuki Building Co., Ltd., which owns and manages favorably located properties in many Japanese cities.

In the medical domain value chain, our products and services extend from upstream to downstream activities. For example, we provide many forms of financing, such as leases and a medical receivable factoring service. For new clinics and other facilities, Japan Medical Lease Corporation is a source of a full lineup of support. Group company M-CAST, Inc. specializes in the purchase and sale of used medical equipment. Activities include many relationships with companies outside our group, too. We have a business alliance with Block Imaging International, Inc., a major U.S. used medical equipment trading company. Another example is a business alliance with Philips Electronics Japan concerning the sale of medical equipment.

Our services for capital expenditures include much more than operating and finance leases. ***e-Leasing Direct***, an exclusive service of ours, is an asset management service that allows customers to use the Internet to obtain entire lease transactions and keep track of their leased assets. In addition, we have group companies that trade used machine tools, medical equipment, semiconductor production

The MUL Real Estate Domain Value Chain

equipment and other equipment. Collectively, these capabilities mean that customers can rely on us for the optimal solution for every need.

All these activities demonstrate the Mitsubishi UFJ Lease & Finance Group's commitment to giving each customer the best possible solution. Making this possible is the combination of the group's many functions and the ability to fully utilize the support of partner companies. We plan to continue adding ways to assist customers in order to reinforce our reputation as a partner they can rely on to solve a variety of issues.

Expanding the Value Chain

The MUL Medical Domain Value Chain

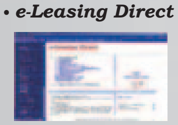
Upstream → Downstream

Consulting	Finance	Used Equipment Trade
Principal Products/Services		
• Medical Practitioner Support Setup/Advertising/Personnel Support Financing/Instrument Advice (Japan Medical Lease)	• Medical Receivable Factoring • Lease/Installment Sales	• Used Medical Equipment Purchasing and Sales (M-CAST)
Topics	• Signed Strategic Business Alliance With Philips Electronics Japan (April 2010)	• Signed Strategic Business Alliance with Block Imaging International, Inc., a major U.S. used medical equipment trading company (March 2010)

Capital Investment Value Chain

Upstream → Downstream

Finance	Asset Management Outsourcing	Used Equipment Trade
Principal Products/Services		
• Operating Lease • Finance Lease	• ***e-Leasing Direct***	• Used Industrial Machinery Purchasing and Sales (U-Machine) • Used PC Trading (MUL Eco-Business) • Used Semiconductor Production Equipment Trade (Diamond Equipment)




Leading
the Future

Leading the Future

At Mitsubishi UFJ Lease & Finance, our business operations reflect a strong awareness of obligations ranging from global issues like combating global warming to community activities. We understand that the public expects companies to perform many roles in tackling these issues. This is why we use our core lease and finance operations to help create solutions that target the needs of society. Using this approach allows us to play a part in creating a sustainable society.

Support for Environmental Activities

Many of our customers are seeking ways to reduce energy consumption and take other steps to lower their impact on the environment. We have introduced a diverse lineup of products and services to meet this need.

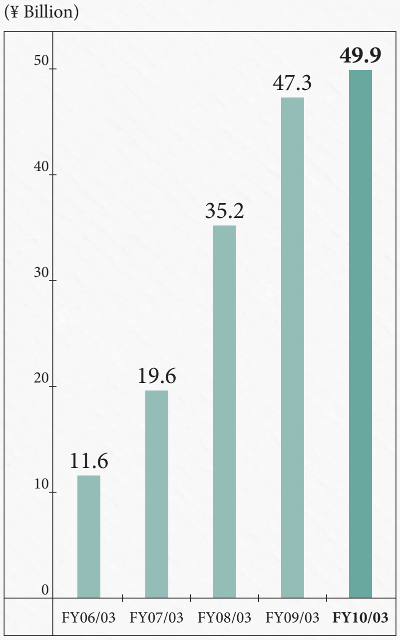
For customers who want to offset CO_2 emissions from their business operations, we offer the Carbon Natural Lease and the Offset Partner Service. With the Carbon Natural Lease, we purchase carbon emission credits and apply them to the leased equipment of customers. These credits make it possible to offset all or part of the CO_2 emissions from the applicable equipment during the lease.

The Offset Partner Service enables us to perform every step of the carbon offsetting process on behalf of customers. This includes everything from the purchase and management of emission credits to their declaration to the government account. Customers can use this service for equipment linked to emission credits, international air cargo, sporting events and many other applications.

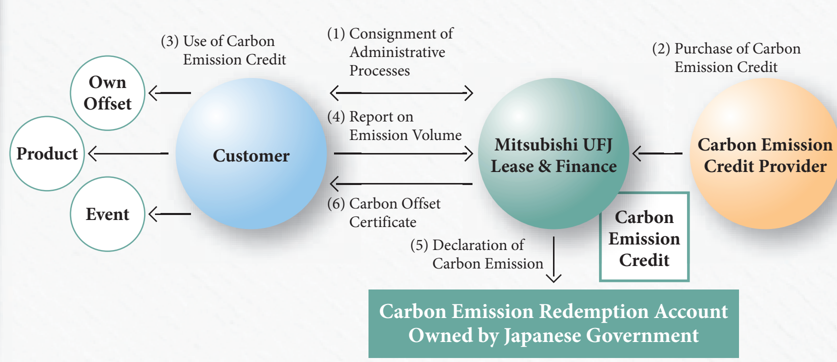
Leading the Future

ESCO Outstandings

(¥ Billion)



Offset Partner Service



Since we started the carbon-offset business in 2008, there have been 1,382 transactions representing credits for a total of 8,787 tons of carbon emissions.

We started the ESCO (Energy Service Company) business to serve customers looking for ways to lower energy consumed by a variety of equipment. An ESCO is a complete package of services to conserve energy. We handle every step—planning, technologies, financing, installation, maintenance—and guarantee the effects of energy conservation. This business applies to equipment for buildings, factories, hotels, hospitals and numerous other facilities. As one of the first companies to start an ESCO business, we had 363 cumulative transactions by the end of March 2010, ranking us first among all ESCO service providers.

There are many other products and services that support our customers' environmental programs. The Green Lease uses electricity from wind, biomass or other renewable energy sources to supply part of the power consumed by leased equipment. We also offer Eco Finance schemes. We take pride in the contribution of these products and services toward creating a sustainable society.

Measures to Improve Health Care

We have a large number of financing services for clinics and other medical institutions. Leases for medical equipment and factoring for medical service receivables are two principal examples.

Group company Japan Medical Lease Corporation is a source of a complete selection of support leading up to the opening of a hospital or other medical facility. This company locates a suitable site, determines how to obtain financing, assists in the use of medical and IT products, and even helps with recruiting and advertising.

Group company M-CAST, Inc. purchases and sells CT/MRI scanners, electrocardiograph machines and other used medical equipment that have been carefully examined to confirm safety. Medical-sector activities also include alliance partners outside our group. We have a business alliance with Philips Electronics Japan for the sale of its medical equipment, and also partner with Block Imaging International, Inc., a U.S. company. Working with these partners creates a base for increasing our functions in the medical-related value chain so that we can serve even more requirements of our customers.

Support for Communities and Regions

Mitsubishi UFJ Lease & Finance has been a prominent participant in Japan's PFI market since the country's Act on Promotion of Private Finance Initiative was enacted in 1999. The PFI scheme allows using private-sector funds and operational know-how for government facilities and infrastructure projects. Private-sector support improves the efficiency and effectiveness of designs, construction, maintenance and operations. Much more than financing is involved. As the lead company at a PFI project, we arrange every step and use investments and other ways to participate in the project. The cumulative number of PFI projects in which we have been involved was 41 as of the end of March 2010, including 13 where we were acting as a representative company. Our PFI track record makes us one of the leading companies in Japan in this business field.

In addition to our PFI business, we have many other products and services that contribute to communities and regions. Primary examples include real estate leases for the construction of commercial and logistics buildings and our medical-related businesses that help improve health care infrastructures.

Principal Medical-Related Service Transaction

Cardiovascular Center at the Northern Okinawa Medical Center
Mitsubishi UFJ Lease & Finance supported the Center's opening with a unit lease.

Principal PFI Transaction

Public Benefit Facility Project at Minami Senri Station

Creating More Global Opportunities

Mitsubishi UFJ Lease & Finance is accelerating overseas business expansion in order to meet customer needs for global activities.

Mitsubishi UFJ Lease & Finance has merged certain functions of the division that handled financial services for Japanese companies operating overseas with the Environmental Global Support Center and the International Department, reinforcing the overseas business structure with a new Overseas Business Department.

More Alliances with Overseas Partners

• Alliance in the Asia Region

Mitsubishi UFJ Lease & Finance and Financial One Corp. agreed in January 2010 to form a business alliance. Financial One includes Chailease Finance Co., Ltd., the largest leasing company in Taiwan, as well as operations in China, Thailand and Vietnam. We plan to work with Financial One with regard to leasing, financing, used equipment trading, and other business operations in Asian countries. We believe this cooperation will give us a firm base to become a trusted source of solutions in these countries.

• Alliance in the Medical Field

In March 2010, Mitsubishi UFJ Lease & Finance Group company M-CAST entered into a business alliance with major U.S. used medical devices trading company Block Imaging International, Inc. regarding the sale of used medical equipment. Going forward, this alliance will allow us to leverage M-CAST's experience and expertise and Block's extensive sales channels in the United States to meet customers' used medical equipment needs.

• Alliance in the Environmental Field

In the field of overseas environmental development, we signed a memorandum of understanding in August 2009 with the International Finance Corporation (IFC), a member of the World Bank Group. Under this agreement, we will work with the IFC to promote financing activities associated with energy efficiency, renewable energy and other environmental themes. In particular, we plan to supply financing for ESCO projects and other energy-conservation and environmental-protection projects in developing countries, mainly in Southeast Asia.

The Global Network Continues to Grow

To expand our business globally, we are moving faster to form alliances and to add locations to our global network. In January 2010, we increased our U.S. network by opening an office in the Los Angeles area. This gives us a base for quickly and accurately serving customers who have operations on the West Coast.

Creating More Global Opportunities

Message From the Chairman

Naotaka Obata
Chairman

Meeting Expectations, Earning Trust

The structure of society is changing, the economy is globalizing, and companies are faced with an increasingly broad array of social roles and responsibilities. As a comprehensive finance company, Mitsubishi UFJ Lease & Finance strives to provide customers with a wide range of solutions, and thereby meet the expectations of our stakeholders and earn their trust.

At Mitsubishi UFJ Lease & Finance, we believe that conducting fair, highly transparent, sound management is an important element of our social responsibility. Strong corporate governance is the cornerstone of such management, and the entire Group is working to make our corporate governance as robust as it can be.

We have introduced an executive officer system with the aim of increasing transparency by ensuring clear separation of management decision making and oversight functions and business execution functions. To embrace outside management perspectives, we have actively welcomed outside directors and outside auditors who enhance our system of checks and balances.

With regard to compliance and information security, we both maintain the various frameworks and manuals and conduct regular monitoring in the form of internal audits. We are also promoting Group management as a means to maintain and enhance compliance and information security across all Group companies.

In addition, in order to ensure appropriate operations, we have created an internal control organization in line with the Financial Instruments and Exchange Act, which has been in effect since fiscal 2008.

Going forward, we will continue to make steadfast efforts to strengthen our corporate governance so that we can meet the expectations of all our stakeholders and earn their trust, and to ensure continuous growth for Mitsubishi UFJ Lease & Finance.

Naotaka Obata
Chairman

Corporate Governance

Mitsubishi UFJ Lease & Finance believes that preserving the transparency and soundness of its management is essential to establishing a firm relationship of trust with all stakeholders: customers, shareholders, investors and the public. Based on this belief, we constantly dedicate ourselves to strengthening corporate governance. Another objective is improving the transparency of management by making the Board of Directors more effective, upgrading internal audit activities, ensuring the proper disclosure of information and conducting extensive public relations (and investor relations) programs.

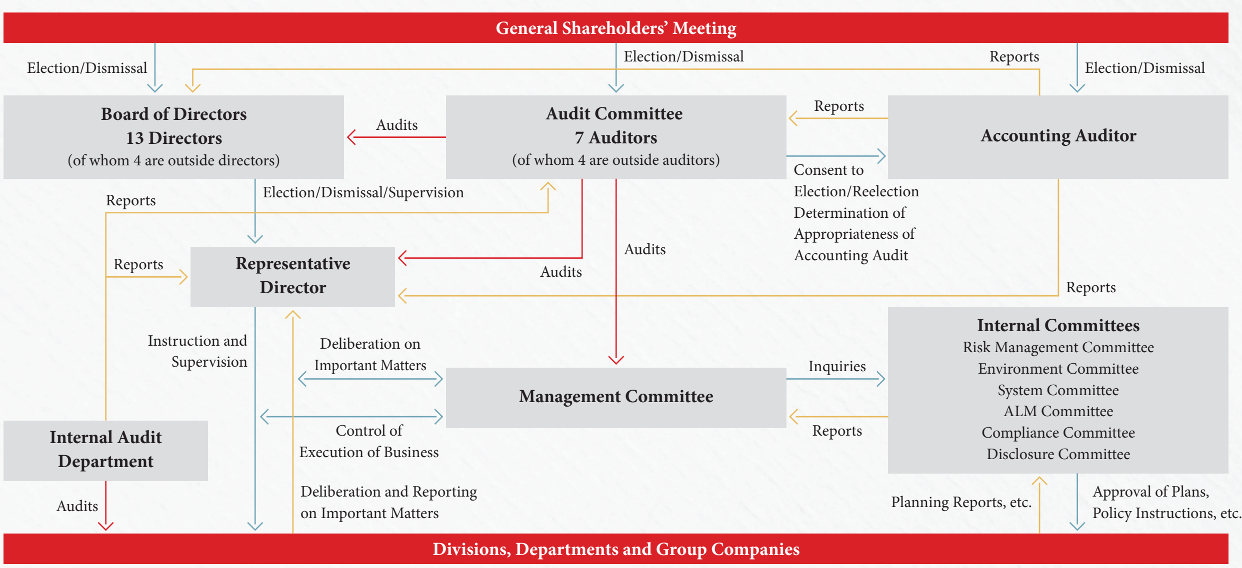
Corporate Governance Structure

Mitsubishi UFJ Lease & Finance is constantly taking actions aimed at reinforcing and upgrading its corporate governance.

The role of the Board of Directors is to reach decisions concerning important management matters. Four of the board's 13 members are outside directors who increase the transparency of management by contributing opinions from an external perspective. In addition, we use the executive officer system to separate the functions of decision-making and oversight involving management from the execution of business operations. This separation clarifies the roles and responsibilities of the directors and executive officers.

The Board of Corporate Auditors is dedicated to ensuring the fairness of the supervisory function for business operations. The Board of Corporate Auditors has 7 members, including 4 outside corporate auditors. The board performs audits from a multifaceted perspective while coordinating these activities with the accounting auditor and departments that perform internal audits.

Organization of Corporate Governance



Internal Committees

To ensure the appropriate operation of internal control systems, the following internal committees, which are independent of line management, have been established.

- **Risk Management Committee:**
  Receives up-to-date reports on various risks from departments and branches, and checks countermeasures, policies and so forth against them
- **Environment Committee:**
  Administers the environmental management system based on ISO 14001
- **System Committee:**
  Checks efficiency of information systems and implements appropriate measures
- **ALM (Asset Liability Management) Committee:**
  Manages market risks, such as interest rate risk, assesses current status and issues, and deliberates on countermeasures
- **Compliance Committee:**
  Regularly reviews and assesses compliance with laws, regulations and rules, and ensures improvements to and establishment of the compliance system
- **Disclosure Committee:**
  Deliberates on the adequacy of information disclosure and internal controls in relation to disclosure

Compliance System

Mitsubishi UFJ Lease & Finance believes that an effective compliance system is vital to earning and preserving the trust of the public. The company president serves as chief executive officer of our compliance system, which is responsible for conducting all compliance activities.

In the organizational structure, the Compliance Committee, consisting of the chairman, deputy chairman, president, corporate officers and others, serves as an advisory body to the Management Committee. The executive officer in charge of the Legal & Compliance Department, as the chief compliance officer, serves as the committee chairman. The Legal & Compliance Department oversees compliance activities throughout the company and ensures that management and business activities do not violate any laws or regulations.

In addition, we have a Compliance Risk Map that is prepared by identifying compliance risk factors and analyzing the potential impact of these factors. We then establish countermeasures to prevent any compliance problems involving these risk factors and periodically re-examine these countermeasures. We check this system by monitoring these activities every quarter and by having the Internal Audit Department perform compliance audits.

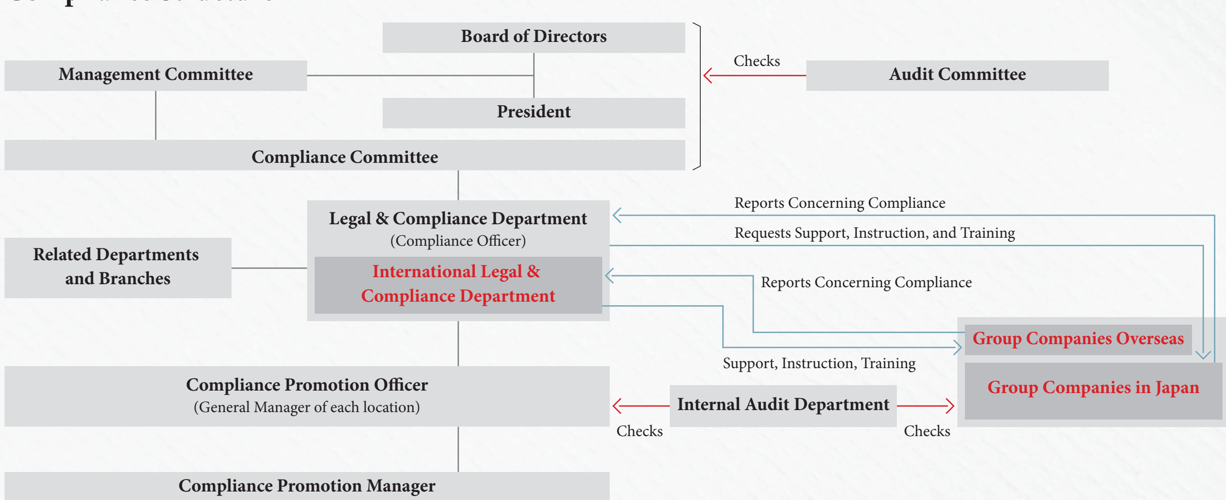
Compliance Training and Awareness

Compliance training sessions are held on a regular basis to reinforce the commitment of employees to compliance. We use e-learning programs to administer tests, have employees test themselves and use other monitoring activities to confirm that everyone understands what they have learned. For certain business operations, members of the Legal & Compliance Department visit branches and departments to verify that operations are performed properly.

Internal Controls

In order to ensure appropriate business operations, Mitsubishi UFJ Lease & Finance has established an internal controls organization that is in compliance with Japan's Financial Instruments and Exchange Law, which was enacted in fiscal 2008. All branches and departments periodically submit a report on the status of internal controls to the Accounting Department, which is responsible for overseeing internal controls. These reports are then sent to the Internal Audit Department for an overall check. In addition, the Accounting Department submits a quarterly report on the status of internal controls to the Disclosure Committee. This committee then passes the report on to the accounting auditor. To improve the reliability of financial reports, the use of documentation is encouraged.

Compliance Structure



We have prepared an Internal Controls Handbook that is distributed to all employees for the purposes of increasing comprehension of internal controls and using these controls as they perform their jobs.

International Financial Reporting Standards (IFRS)

Revisions to accounting standards for leases are one part of accounting standard revisions that the International Accounting Standards Board (IASB) is currently implementing. As a core member of the Japan Leasing Association, Mitsubishi UFJ Lease & Finance is providing explanations of the leasing business in Japan and submitting opinions to assist in the preparation of lease accounting standards. We have also formed an internal IFRS project team. One task of this team is to ascertain the effect of the new standards on the computer systems used for accounting and data management. The task force is also creating proposals for solutions to meet customers' financing requirements associated with IFRS.

Risk Management

Mitsubishi UFJ Lease & Finance has established a policy that forms the basis for crisis management rules and a crisis management manual. The goal is to minimize the impact of an accident or disruption of business operations on our activities. We have prescribed the departments responsible for responding to each type of crisis and the reporting channels. Going one step further, we have defined responses for each stage of a crisis. These actions give us a framework for responding quickly when a crisis occurs.

Risk Management Policy

Preserving the trust of the public even during a crisis is one of the highest priorities of Mitsubishi UFJ Lease & Finance. To earn this trust, we will reach decisions and take actions in accordance with the following code of behavior.

• Fulfill our corporate obligations

Based on a full awareness of the social obligations and public service mission of the Mitsubishi UFJ Lease & Finance Group, we will fulfill all corporate obligations including the obligation for the complete disclosure of information that is associated with all parties involved.

• Observe strict standards of compliance

We will strictly observe all laws and regulations and act in a fair and honest manner that does not conflict with accepted social standards for behavior.

• Maintain constant lines of communication with customers, shareholders and employees

We will strive to remain in communication with customers, shareholders and employees even during a crisis in order to preserve relationships rooted in mutual trust.

Group Management

The Mitsubishi UFJ Lease & Finance Group is strengthening its Group Management System with the goal of basing operations on a shared set of values and ethics in order to earn the trust of customers and society. Every employee receives a copy of the Code of Ethics and Code of Behavior that summarizes the basic guidelines for ethics and behavior. Furthermore, we hold classes and seminars for the entire Group that cover accounting standards, information security, internal audits and other subjects of interest to every Group company. Sharing this knowledge and information makes it possible to discuss from a broad perspective issues that affect all Group companies.

Code of Ethics

The Mitsubishi UFJ Lease & Finance Group has established a Code of Ethics to serve as the basic guideline for officers and employees.

(1) Establishment of Trust
(2) Customer Oriented Business
(3) Strict Compliance with Laws
(4) Respect for Human Rights and Environment
(5) Confrontation with Antisocial Forces

Corporate Social Responsibility

Mitsubishi UFJ Lease & Finance is committed to earning the trust of customers, shareholders, investors and communities and thereby contributing to the realization of a prosperous society. As a comprehensive finance company, we will play a part in creating a sustainable society by using business operations to fulfill our social responsibility.

For Our Customers

Mitsubishi UFJ Lease & Finance is always seeking ways to enlarge our product and service line ups to meet our customers' diverse needs. Building even sounder lines of communications with customers is vital to this process. This is why we aim to create opportunities to listen to customers, and offer customers more opportunities to learn about our activities.

Business Link

As a member of the Mitsubishi UFJ Financial Group, we participated in an event in Osaka called Business Link. We welcomed visitors at booths for environmental protection, medical care and comprehensive services. Approximately 2,300 companies, mostly from the Osaka area, took part in this event. With attendance of about 6,800, Business Link provided an opportunity for people from companies in many industries to meet and hold discussions.

For Our Shareholders and Other Investors

Investor Relations Policy

Our fundamental policy for investor relations is to earn the trust and fair evaluation of shareholders and investors by actively and continuously providing precise, timely, and fair disclosure of information about our management policies, business strategies, business activities, financial position and other topics. We translate this policy into actions in many ways. We are dedicated to disseminating fair, quality information so that shareholders and other investors can form a proper appraisal of our value as a company.

Recognition from the Nagoya Stock Exchange

We received a certificate of appreciation from the Nagoya Stock Exchange in February 2010. This honor recognizes our contributions to enabling securities markets to serve a more diverse base of investors. Lowering our trading unit, consecutively raising the dividend and greatly increasing the number of shareholders all exemplify our dedication to serving shareholders and stock markets.

Going forward, we will continue to conduct proactive IR activities and further vitalize our communication with shareholders.

Visitors discussed business opportunities at Business Link

The Mitsubishi UFJ Lease & Finance booth at the Nagoya Stock Exchange IR Expo 2009

For Our Employees

Childbirth and Child-Rearing Support System

Mitsubishi UFJ Lease & Finance continues to upgrade its childbirth and child-rearing support systems to enable employees to continue working during each stage of their lives. In the fiscal year ended March 31, 2010, 19 employees used special pre-childbirth leave and 28 employees, including one male employee, used the child-rearing leave system. Programs are in place to make all employees aware of these systems and to foster an environment in which people can feel secure about taking time off. We want to provide everyone with a workplace that has a healthy balance between job and family responsibilities.

No. of Employees Using Childbirth and Child-Rearing Leave

	Childbirth leave	Child-rearing leave
Fiscal 2008	13	16
Fiscal 2009	11	22
Fiscal 2010	**19**	**28**

Internal Recruiting System

We operate an internal recruiting system to help motivated employees fulfill their personal goals. Employees have the opportunity to apply for positions in other departments. Individuals who pass the selection process are then transferred to new posts. This system gives highly motivated employees the opportunity to define and pursue their own career paths. Another benefit of internal recruiting is an open and energetic workplace environment. We increased the number of departments and branches using internal recruiting.

For the Environment

Guidelines for Biodiversity

Mitsubishi UFJ Lease & Finance is committed to helping create a recycling-oriented society in which resources are used effectively and waste is reduced. We reflect this stance in many ways in our business, including by applying the "3R" (reduce, reuse, recycle) principle to the property we lease and operating businesses that buy and sell used property and equipment. In April 2010, we established the Biodiversity Guidelines in order to bolster our environmental programs. The guidelines include numerous activity targets centered on two categories: business operations activities and office work activities. For example, we encourage the use of paper certified by the Forest Stewardship Council to protect forest ecosystems. Use of this paper has been expanded beyond the CSR report to include the annual report, internal publications and other materials. Other initiatives include reducing the use of paper and copies, consuming less electricity, using green procurement procedures and following "eco-drive" guidelines for operating motor vehicles. We will continue to conduct a variety of programs that can contribute to protecting biodiversity and creating a sustainable society.

Acquisition of "Value Assets"

As one way to reduce the volume of waste materials, we have extensive activities for promoting the purchase of Value Assets. This makes it easier to resell, lease again or otherwise reuse equipment at the end of a leasing contract. Value Assets are types of equipment that lose their value slowly over time because they can be used for many years. Using this system allows us to reuse equipment as much as possible at the end of a lease, reducing waste materials and helping create a recycling-oriented society.

Board of Directors, Corporate Auditors and Executive Officers

(as of June 29, 2010)

Board of Directors

Chairman	**Naotaka Obata**
Deputy Chairman	**Yoshio Hirata***
President & CEO	**Ryuichi Murata***
Deputy President	**Tadashi Shiraishi***
Senior Managing Directors	**Kazuo Momose***
	Takashi Miura*
Managing Directors	**Kazuo Seki***
	Koichi Sakamoto*
	Koji Saimura*
Directors	**Tadashi Ishikawa** Chairman of Toyota Industries Corporation
	Hideshi Takeuchi Executive Vice President of Mitsubishi Corporation
	Hajime Inomata Senior Managing Executive Officer of Meiji Yasuda Life Insurance Company
	Takami Matsubayashi Executive Vice-President of Nagoya Railroad Co., Ltd.

Notes: 1. * indicates concurrent posts of Director and Executive Officer.
2. Messrs. Tadashi Ishikawa, Hideshi Takeuchi, Hajime Inomata and Takami Matsubayashi are outside directors defined in Article 2, Item 15 of the Corporation Act.

Corporate Auditors

Corporate Auditors	**Tamotsu Naito**
	Kuniaki Takahashi
	Shigeyuki Murai
	Tatsunori Imagawa Corporate Auditor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
	Shoji Tokumitsu President of Chukyo TV. Broadcasting Co., Ltd.
	Shinichiro Hayakawa Professor of University of Tokyo, Graduate School of Arts and Sciences
	Shigeru Tsuburaya President of M U Trust Apple Planning Company, Ltd.

Note: Messrs. Tatsunori Imagawa, Shoji Tokumitsu, Shinichiro Hayakawa and Shigeru Tsuburaya are outside auditors defined in Article 2, Item 16 of the Corporation Act.

Executive Officers

Senior Managing Executive Officer	**Masakazu Okabayashi**
Managing Executive Officers	**Makoto Tsuji**
	Nobuyoshi Ishii
	Kiyohiko Kohama
	Akio Wada
	Masaaki Yokote
Executive Officers	**Hiromichi Kawai**
	Hiroshi Kato
	Tetsuro Nishi
	Hiromasa Oda
	Masami Tozaki
	Hiroyuki Kimijima
	Osamu Miki
	Kiyoshi Tada
	Kaoru Matsumoto
	Tatsuhisa Takahashi
	Hideki Kobayakawa

Note: Excluding Executive Officers concurrently serving as Directors (eight people).

Financial Information

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Management's Discussion and Analysis

Business Results

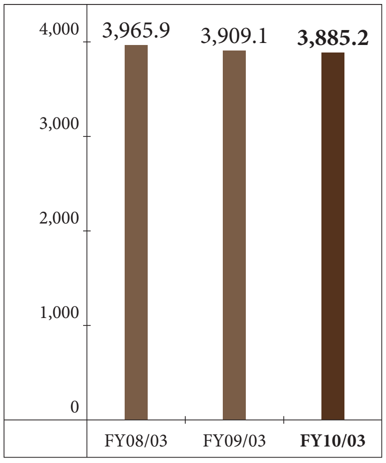
During the year ended March 31, 2010, Mitsubishi UFJ Lease & Finance worked to upgrade our sales foundation by offering diverse products and services. Against the backdrop of the ongoing recession, however, private-sector capital expenditure sentiment remained lackluster, and as a result the consolidated volume of new transactions fell by 23.7% year on year to ¥1,301.5 billion. By segment, the volume of new contracts in the leasing business was down by 8.1% year on year to ¥516.4 billion, installment sales fell 39.7% to ¥50.6 billion, the loans business declined 28.7% to ¥649.3 billion, and other businesses dropped 42.7% to ¥85.1 billion. Consequently, consolidated operating results for the fiscal year ended March 31, 2010 were as follows:

In terms of revenues, in February of 2009 former consolidated subsidiary Central Auto Lease merged with equity-method affiliate Mitsubishi Auto Leasing Corporation, and was subsequently removed from the scope of consolidation. As a result of this and other factors, revenues declined by 8.7% year on year to ¥747.0 billion. The breakdown of revenues was as follows: revenues from the leasing business were down 9.0% to ¥558.6 billion, revenues from installment sales were down 12.5% to ¥122.6 billion, revenues from loans were up 1.7% to ¥39.0 billion, and revenues from other businesses were up 1.6% to ¥26.8 billion.

In terms of earnings, SG&A expenses such as credit costs related to doubtful assets (including general provision for loan losses) increased, resulting in a decline in operating income of 4.0%, to ¥25.8 billion. The Company recognized an extraordinary gain on negative goodwill due to the consolidation of Miyuki Building Co., Ltd. as a subsidiary in July 2009, as well as an extraordinary loss on revaluation of investment securities. As a result, net income was up 190.1% from the previous year to ¥20.7 billion.

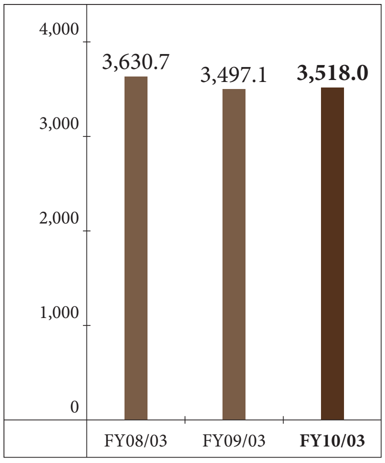
Total Assets

(¥ Billion)



Operating Assets

(¥ Billion)



Financial Position

At March 31, 2010, total assets stood at ¥3,885.2 billion, representing a drop of ¥23.9 billion (0.6%) from the previous fiscal year-end.

Consolidated total equity was up ¥24.3 billion (7.1%) from the previous fiscal year-end to ¥366.9 billion as a result of the gain in net income, and the equity ratio was 9.1%, up 0.7 points year on year.

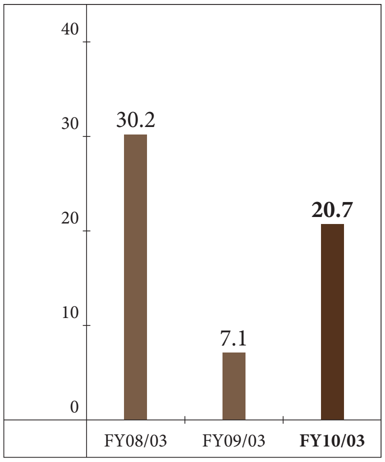
Cash and cash equivalents (hereafter "cash") totaled ¥13.0 billion, a decrease of ¥41.7 billion (76.2%) compared with the previous fiscal year-end.

Operating activities provided net cash of ¥52.0 billion (compared to ¥103.2 billion used in the previous fiscal year). This was attributable to inflows of ¥38.1 billion in income before income taxes and minority interests, ¥82.7 billion in non-cash expenses relating to leased assets, specifically depreciation and amortization, and disposal and sale of assets, and ¥8.7 billion in increase of provision of allowance for doubtful receivables, as well as ¥125.2 billion in decrease in lease receivables and investments in lease, which were applied to ¥175.4 billion in purchase of leased assets and an increase of ¥31.8 billion in loans.

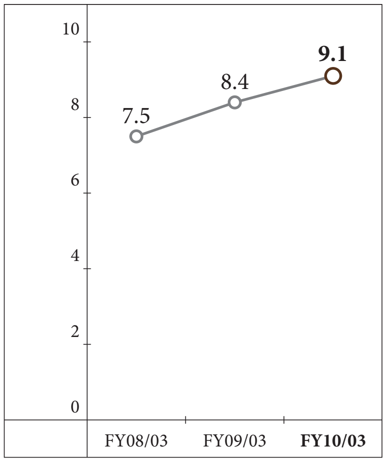
Investing activities used net cash of ¥11.4 billion (compared to ¥32.2 billion used in the previous fiscal year). This included inflows of ¥4.6 billion in proceeds from withdrawal of time deposits, offset by outflows of ¥7.4 billion for purchases of property and equipment, ¥3.8 billion for purchases of investment securities, and ¥6.2 billion in payments for acquisition of newly consolidated subsidiary in conjunction with changes in the scope of consolidation.

Financing activities used net cash of ¥82.4 billion (compared to ¥180.9 billion provided in the previous fiscal year). Cash was used mainly by repayments of long-term debt of ¥496.2 billion and net decrease in short-term borrowings of ¥188.2 billion. Cash dividends paid used ¥4.2 billion. On the other hand, proceeds from long-term debt provided ¥606.9 billion in cash.

Net Income
(¥ Billion)



Equity Ratio
(%)



Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
Assets			
Current assets:			
Cash and cash equivalents (Note 21)	**¥ 12,980**	¥ 54,653	**$ 139,570**
Time deposits other than cash equivalents (Note 21)	**617**	4,568	**6,634**
Marketable securities (Notes 4 and 21)	**94,259**	68,292	**1,013,538**
Receivables:			
Lease	**20,695**	15,747	**222,527**
Installment sales (Notes 10 and 21)	**342,386**	421,816	**3,681,570**
Loans (Notes 10, 18 and 21)	**1,222,770**	1,227,717	**13,148,065**
Lease receivables and investments in lease (Notes 7, 10 and 21)	**1,258,447**	1,335,578	**13,531,688**
Inventories (Note 5)	**11,072**	7,098	**119,054**
Deferred tax assets (Note 19)	**11,051**	8,495	**118,828**
Prepaid expenses and other	**69,260**	62,735	**744,731**
Allowance for doubtful receivables (Note 21)	**(21,768)**	(17,827)	**(234,065)**
Total current assets	**3,021,769**	3,188,872	**32,492,140**
Leased assets — at cost	**587,647**	357,406	**6,318,785**
Accumulated depreciation	**(168,939)**	(127,659)	**(1,816,548)**
Net leased assets	**418,708**	229,747	**4,502,237**
Advances for purchases of leased assets	**10,611**	4,872	**114,096**
Total leased assets (Notes 6, 8 and 10)	**429,319**	234,619	**4,616,333**
Investments and other assets:			
Investment securities (Notes 4, 10 and 21)	**255,246**	283,299	**2,744,581**
Investments in unconsolidated subsidiaries and associated companies (Notes 10 and 21)	**26,397**	33,159	**283,838**
Investment in equity other than capital stock	**2,004**	11,004	**21,549**
Goodwill (Note 9)	**46,747**	49,740	**502,656**
Long-term receivables (Note 21)	**46,351**	47,984	**498,398**
Deferred tax assets (Note 19)	**12,142**	15,143	**130,559**
Other (Note 10)	**41,417**	38,540	**445,344**
Allowance for doubtful receivables (Note 21)	**(8,488)**	(3,695)	**(91,269)**
Total investments and other assets	**421,816**	475,174	**4,535,656**
Property and equipment — at cost	**18,669**	16,138	**200,742**
Accumulated depreciation	**(6,412)**	(5,726)	**(68,946)**
Net property and equipment	**12,257**	10,412	**131,796**
Total	**¥3,885,161**	¥3,909,077	**$41,775,925**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
Liabilities and Equity			
Current liabilities:			
Short-term borrowings (Notes 11, 18 and 21)	**¥1,550,575**	¥1,737,417	**$16,672,849**
Current maturities of long-term debt (Notes 10, 11, 18 and 21)	**422,131**	370,377	**4,539,043**
Payables — trade (Note 21):			
Notes	**7,088**	13,588	**76,215**
Accounts	**73,487**	96,431	**790,183**
Accrued expenses	**20,300**	25,734	**218,280**
Income taxes payable	**8,706**	3,409	**93,613**
Deposits from customers	**16,795**	11,779	**180,591**
Deferred profit on installment sales (Note 21)	**45,334**	53,348	**487,462**
Other (Notes 10 and 19)	**68,118**	60,335	**732,452**
Total current liabilities	**2,212,534**	2,372,418	**23,790,688**
Long-term liabilities:			
Long-term debt, less current maturities (Notes 10, 11, 18 and 21)	**1,218,480**	1,125,564	**13,101,936**
Liability for retirement benefits (Note 12)	**2,642**	2,597	**28,409**
Deferred tax liabilities (Note 19)	**8,306**	1,664	**89,312**
Other (Note 10)	**76,307**	64,201	**820,505**
Total long-term liabilities	**1,305,735**	1,194,026	**14,040,162**
Commitments and contingent liabilities (Notes 13 and 22)			
Equity (Notes 14 and 25)**:**			
Common stock — authorized, 320,000,000 shares in 2010 and 2009; issued, 89,583,416 shares in 2010 and 2009	**33,196**	33,196	**356,946**
Capital surplus	**166,789**	166,789	**1,793,430**
Stock acquisition rights (Note 16)	**181**		**1,946**
Retained earnings	**156,354**	139,858	**1,681,226**
Net unrealized loss on available-for-sale securities	**(84)**	(5,105)	**(903)**
Deferred loss on derivatives under hedge accounting	**(1,582)**	(618)	**(17,011)**
Foreign currency translation adjustments	**(2,887)**	(5,082)	**(31,043)**
Treasury stock — at cost, 26,888 shares in 2010 and 26,870 shares in 2009	**(75)**	(74)	**(806)**
Sub-total	**351,892**	328,964	**3,783,785**
Minority interests	**15,000**	13,669	**161,290**
Total equity	**366,892**	342,633	**3,945,075**
Total	**¥3,885,161**	¥3,909,077	**$41,775,925**

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
Revenues:			
Lease	¥558,615	¥613,717	$6,006,613
Installment sales	122,615	140,159	1,318,441
Loans (Note 18)	39,048	38,393	419,871
Other	26,765	26,350	287,795
Total revenues	747,043	818,619	8,032,720
Costs:			
Lease	484,581	539,425	5,210,549
Installment sales	112,820	129,785	1,213,118
Interest (Note 18)	26,916	34,533	289,419
Other	13,157	10,161	141,473
Total costs	637,474	713,904	6,854,559
Gross profit	109,569	104,715	1,178,161
Selling, general and administrative expenses (Note 17)	83,756	77,829	900,602
Operating income	25,813	26,886	277,559
Other income (expenses):			
Dividend income	1,209	763	13,000
Interest expense — Net of interest income of ¥46 million ($495 thousand) in 2010 and ¥134 million in 2009 (Note 18)	(2,409)	(2,278)	(25,903)
Gain on negative goodwill (Note 3)	9,059		97,409
Gain on step acquisitions of consolidated subsidiary (Note 3)	3,348		36,000
Loss on revaluation of investments in securities	(450)	(7,482)	(4,839)
Other — Net	1,574	(575)	16,925
Other income (expenses) — Net	12,331	(9,572)	132,592
Income before income taxes and minority interests	38,144	17,314	410,151
Income taxes (Note 19):			
Current	18,901	17,043	203,237
Deferred	(3,018)	(7,087)	(32,452)
Total	15,883	9,956	170,785
Minority interests in net income	1,534	212	16,495
Net income	¥ 20,727	¥ 7,146	$ 222,871

	Yen		U.S. Dollars
	2010	2009	2010
Amounts per share of common stock (Note 24):			
Basic net income	¥231.44	¥80.17	$2.49
Diluted net income	231.36		2.49
Cash dividends applicable to the year	48.00	46.00	0.52

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Thousands of Shares		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010	2009	2010
Common stock					
Beginning balance	**89,583**	80,318	**¥ 33,196**	¥ 16,440	**$ 356,946**
Issuance of common stock (Notes 15 and 18)		9,265		16,756	
Ending balance	**89,583**	89,583	**¥ 33,196**	¥ 33,196	**$ 356,946**
Capital surplus					
Beginning balance			**¥166,789**	¥150,034	**$1,793,430**
Issuance of common stock (Notes 15 and 18)				16,755	
Ending balance			**¥166,789**	¥166,789	**$1,793,430**
Stock acquisition rights					
Beginning balance					
Net change in the year (Note 16)			**¥ 181**		**$ 1,946**
Ending balance			**¥ 181**		**$ 1,946**
Retained earnings					
Beginning balance			**¥139,858**	¥136,458	**$1,503,849**
Net income			**20,727**	7,146	**222,871**
Cash dividends paid			**(4,209)**	(3,746)	**(45,258)**
Adjustment of retained earnings of newly consolidated subsidiaries			**(22)**		**(236)**
Ending balance			**¥156,354**	¥139,858	**$1,681,226**
Net unrealized loss on available-for-sale securities					
Beginning balance			**¥ (5,105)**	¥ (1,992)	**$ (54,892)**
Net change in the year			**5,021**	(3,113)	**53,989**
Ending balance			**¥ (84)**	¥ (5,105)	**$ (903)**
Deferred loss on derivatives under hedge accounting					
Beginning balance			**¥ (618)**	¥ (719)	**$ (6,645)**
Net change in the year			**(964)**	101	**(10,366)**
Ending balance			**¥ (1,582)**	¥ (618)	**$ (17,011)**
Foreign currency translation adjustments					
Beginning balance			**¥ (5,082)**	¥ (1,617)	**$ (54,645)**
Net change in the year			**2,195**	(3,465)	**23,602**
Ending balance			**¥ (2,887)**	¥ (5,082)	**$ (31,043)**
Treasury stock					
Beginning balance	**(27)**	(27)	**¥ (74)**	¥ (74)	**$ (796)**
Net change in the year			**(1)**		**(10)**
Ending balance	**(27)**	(27)	**¥ (75)**	¥ (74)	**$ (806)**
Minority interests					
Beginning balance			**¥ 13,669**	¥ 13,822	**$ 146,978**
Net change in the year			**1,331**	(153)	**14,312**
Ending balance			**¥ 15,000**	¥ 13,669	**$ 161,290**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
Operating activities:			
Income before income taxes and minority interests	**¥ 38,144**	¥ 17,314	**$ 410,151**
Adjustment for:			
Income taxes-paid	**(13,756)**	(27,112)	**(147,914)**
Depreciation and amortization	**69,166**	56,497	**743,720**
Amortization of negative goodwill	**(25)**	(25)	**(269)**
Provision of allowance for doubtful receivables	**8,725**	10,666	**93,817**
Loss on disposal and sales of leased assets	**19,958**	21,033	**214,602**
Loss on revaluation of investment securities	**450**	7,482	**4,839**
Gain on negative goodwill	**(9,059)**		**(97,409)**
Changes in assets and liabilities			
Decrease (increase) in trade receivables	**31,553**	(80,855)	**339,280**
Decrease in lease receivables and investments in lease	**56,703**	74,534	**609,710**
Decrease in trade payables	**(29,470)**	(4,929)	**(316,882)**
(Decrease) increase in interest payable	**(645)**	784	**(6,935)**
Purchases of leased assets	**(175,436)**	(109,880)	**(1,886,409)**
Other — net	**55,706**	(68,659)	**598,989**
Total adjustments	**13,870**	(120,464)	**149,139**
Net cash provided by (used in) operating activities	**52,014**	(103,150)	**559,290**
Investing activities:			
Purchases of property and equipment	**(7,428)**	(6,153)	**(79,871)**
Purchases of investment securities	**(3,791)**	(24,879)	**(40,763)**
Proceeds from sales and redemption of investment securities	**1,195**	3,471	**12,849**
Payments for acquisition of newly consolidated subsidiary	**(6,185)**		**(66,505)**
Proceeds from acquisition of newly consolidated subsidiaries	**196**		**2,107**
Payments for transfers of consolidated subsidiary		(157)	
Payments for acquisition of consolidated subsidiary	**(141)**		**(1,516)**
Payments into time deposits		(4,551)	
Proceeds from withdrawal of time deposits	**4,623**		**49,710**
Other — net	**115**	23	**1,237**
Net cash used in investing activities	**(11,416)**	(32,246)	**(122,752)**
Financing activities:			
Repayments of long-term debt	**(496,193)**	(558,285)	**(5,335,408)**
Proceeds from long-term debt	**606,904**	670,218	**6,525,849**
Net (decrease) increase in short-term borrowings	**(188,212)**	40,329	**(2,023,785)**
Cash dividends paid	**(4,209)**	(3,746)	**(45,258)**
Proceeds from issuance of common stock (Note 15)		33,288	
Other — net	**(733)**	(936)	**(7,882)**
Net cash (used in) provided by financing activities	**(82,443)**	180,868	**(886,484)**
Foreign currency translation adjustments on cash and cash equivalents	**71**	(781)	**763**
Net (decrease) increase in cash and cash equivalents	**(41,774)**	44,691	**(449,183)**
Cash and cash equivalents of newly consolidated subsidiaries	**101**		**1,086**
Cash and cash equivalents, beginning of year	**54,653**	9,962	**587,667**
Cash and cash equivalents, end of year	**¥ 12,980**	¥ 54,653	**$ 139,570**

See notes to consolidated financial statements.

Additional information

a. Acquisition of common stock of Miyuki Building Co., Ltd. ("Miyuki") (Note 3)

On July 29, 2009, the Company acquired 34.1% of the common stock of Miyuki, increasing its voting interest to 52.8%, and consolidated the accounts of Miyuki from July 1, 2009. In addition to that, the Company acquired an additional 43.8% of the common stock of Miyuki, increasing its voting interest to 96.6%. Reconciliation of the net cash paid for investment in the Miyuki business is as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2010	2010
Current assets	**¥ 4,316**	**$ 46,409**
Fixed assets	**69,399**	**746,225**
Current liabilities	**(3,372)**	**(36,258)**
Fixed liabilities	**(44,857)**	**(482,333)**
Negative goodwill	**(8,621)**	**(92,699)**
Minority interests	**(414)**	**(4,452)**
Cost of shares	**16,451**	**176,892**
Gain on step acquisitions of consolidated subsidiary	**(3,348)**	**(36,000)**
Acquisition costs at consolidation	**(2,992)**	**(32,172)**
Cash and cash equivalents held by Miyuki	**(3,926)**	**(42,215)**
Net cash paid for investment in Miyuki business	**¥ 6,185**	**$ 66,505**

b. Reorganization of business of Central Auto Leasing Co., Ltd.

On February 1, 2009, the Company excluded Central Auto Leasing Co., Ltd., that was a consolidated subsidiary, from the consolidated group, because the Central Auto Leasing Co., Ltd. was merged into Mitsubishi Auto Leasing Corporation which is an associated company for which the Company applies the equity method to the investment. Assets and liabilities of Central Auto Leasing Co., Ltd., the proceeds concerning this merger, and the payments for transfers of consolidated subsidiary on the date of exclusion were as follows:

	Millions of Yen
	2009
Current assets	¥36,744
Fixed assets	20,587
Current liabilities	(30,488)
Fixed liabilities	(25,720)
Gain on change in equity	379
Part of continuous investment	379
Proceeds concerning the merger	1,881
Cash and cash equivalents	(2,038)
Difference: payments for transfers	¥ (157)

The Company accounted for this merger as a cash merger, because the Company transferred stock of Mitsubishi Auto Leasing Holdings Corporation that is the parent company of Mitsubishi Auto Leasing Corporation on the premise that the Company acquired an equal number of stock of Mitsubishi Auto Leasing Holdings Corporation in accordance with the contracts concerning this merger.

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

1. Basis of Presenting Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93=US$1.00, the approximate rate of exchange at March 31, 2010.

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

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 86 (83 in 2009) significant subsidiaries.

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

Investments in six (six in 2009) associated companies are accounted for by the equity method.

In September 2006, the Accounting Standards Board of Japan (the "ASBJ") issued Practical Issues Task Force No. 20, "Practical Solution Application of Control Criteria and Influence Criteria to Investment Associations." The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, silent partnerships and other entities with similar characteristics. The Company applied this task force guidance and consolidated three such collective investment vehicles in 2010.

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

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

The excess of the fair value of the net assets of the acquired subsidiary over the cost of an acquisition ("negative goodwill") at the date of acquisition is recognized in the consolidated statement of income as a bargain purchase gain. Before the Company recognizes a bargain purchase gain as profit, the Company reassesses the completeness of identified assets and liabilities of the acquired company and appropriate allocation of acquisition cost to the assets and liabilities. The negative goodwill recognized before April 1, 2009 is systematically amortized using the straight-line method over a period of 15 or 20 years.

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

Tarami Corporation and their subsidiary ("Tarami") acquired by a subsidiary of the Company were not consolidated though the Company acquired a majority of their voting rights. The reason was the Company had not intended its control as an owner but to improve their business for investment purpose through the consolidated private equity firm. The shares of Tarami was acquired during this fiscal year and presented as "Investments in unconsolidated subsidiaries and associated companies".

b. Business Combinations — On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The previous accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combinations by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The previous accounting standard required that research and development costs be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in a business combination is capitalized as an intangible asset.

(3) The previous accounting standard required that a bargain purchase gain (negative goodwill) be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

The company applied the revised accounting standard effective April 1, 2009.

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

Cash equivalents include time deposits and commercial paper, all of which mature or become due within three months of the date of acquisition.

d. Lease Accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee — Finance leases that deem to transfer ownership of the leased property to the lessee are capitalized. However, under the previous accounting standard, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. In principal, the revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet but it permits leases which exist at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008 but the Company and its consolidated domestic subsidiaries accounted for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

The leased assets are initially recorded at their acquisition costs and depreciated over the term of the lease on a straight-line basis.

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

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. For the finance lease contracts which existed on adoption and did not transfer ownership of the leased property to the lessee, the appropriate book value of the leased assets (after deducting accumulated depreciation) at adoption is used as the beginning value of the investments in lease. Due to the adoption of revised accounting standards, for the year ended of March 31, 2009, operating income and income before income taxes and minority interests increased by ¥2,509 million compared with the previous accounting treatment as operating leases. The Company and its consolidated domestic subsidiaries recorded allowance for doubtful receivables of ¥3,033 million on newly recognized lease receivables and investments in lease at the beginning of the prior consolidated fiscal year. In addition, as to the transfer of lease credit obligations previously treated as financial transactions, the right to receive future lease payments included in lease credit obligations transferred are accounted for as sales transactions under the revised accounting standard, so long as they satisfy off-balance requirements of financial assets. Due to these changes on adoption, other income of ¥1,542 million was recorded.

e. Revenue Recognition

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

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

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

The Companies follow the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥238,745 million ($2,567,151 thousand) in 2010 and ¥305,826 million in 2009, respectively.

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

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

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

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

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Companies applied the revised accounting standard and the new guidance effective March 31, 2010. Under above standard and guidance it is regarded that fair values of debt securities are readily determinable quoted market price or by using appropriate valuation techniques.

The effect of this change was to increase marketable securities by ¥115 million ($1,237 thousand), investment securities by ¥2,188 million ($23,527 thousand) and net unrealized gain on available-for-sales by ¥1,366 million ($14,688 thousand), and to decrease deferred tax by ¥937 million ($10,075 thousand).

The effect on the accompanying consolidated financial statements would be immaterial.

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

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

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

Buildings: 3 to 50 years

Furniture and equipment: 2 to 20 years

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

j. Retirement and Pension Plans

Employees' Retirement Benefits — The Company has non-contributory funded pension plans for employees. Additionally, certain consolidated domestic subsidiaries have unfunded retirement benefit plans.

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

In July 2008, The ASBJ issued ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." The statement removed the treatment which provided that an entity may use the discount rate determined taking into consideration fluctuations in the yield of bonds over a certain period. The revised accounting standard is effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or after April 1, 2008. The Companies applied the revised accounting standard effective April 1, 2009. This change had no effect on profit or loss.

Retirement Allowances for Directors and Corporate Auditors — Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at the balance sheet date.

Effective June 26, 2009 at the stockholders' meeting, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors. The outstanding balance of retirement allowances for directors and corporate auditors as of June 26, 2009 was ¥258 million ($2,774 thousand), reclassified to the Current liabilities - other.

k. Stock Options

ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

The board of directors determined to grant stock options as of September 28, 2009, and the Company has applied the accounting standard for stock options to those granted on and after September 28, 2009.

l. Bonuses to Directors and Corporate Auditors — Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

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

n. Appropriations of Retained Earnings — Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon resolution of the Board of Directors.

o. Translation of Foreign Currency Accounts

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

However, at March 31, 2010, assets and liabilities denominated in foreign currencies covered by currency swap agreements are translated into Japanese yen at the contract amounts.

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

p. Derivative and Hedging Activities — The Companies utilize derivative financial instruments, including foreign exchange forward contracts and currency-interest rate swap contracts, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts and currency-interest rate swaps to manage their interest rate risk and foreign currency exposures on certain assets and liabilities. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows:
a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

Interest rate swaps and currency-interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value. Instead the differential paid or received under the swap contracts is recognized and included in interest expense or income. Other interest rate swaps and currency-interest rate swap caps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets.

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

Diluted net income per share as of March 31, 2010 reflects the potential dilution that could occur if the stock options were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding stock options. Diluted net income per share as of March 31, 2009 was not disclosed because it was anti-dilutive.

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

r. New Accounting Pronouncements

Asset Retirement Obligations — On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Unification of Accounting Policies Applied to Foreign Associated Company for the Equity Method — The current accounting standard requires the Company to unify accounting policies within the consolidation group. However, the current guidance allows application of the equity method for the financial statements of its foreign associated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to the equity method of accounting for the fiscal year beginning April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.
This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures — In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Business Combination

a. On July 29, 2009, the Company acquired outstanding common stock of Miyuki Buildings Co., Ltd. ("Miyuki"), which had been an associated company with 34.1% of the voting interest owned by the Company at cost, and increased its voting interest to 52.8%. The Company consolidated the accounts of Miyuki from July 1, 2009 which was the deemed acquisition date. The excess of the fair value of the net assets of Miyuki over the acquisition cost was ¥3,686 million ($39,634 thousand) at July 1, 2009, which was recognized as a gain on negative goodwill in the accompanying consolidated statements of income.

After the above business combination, the Company additionally acquired outstanding stock of Miyuki and increased its voting interest to 96.6%, and recognized an additional gain on negative goodwill of ¥4,935 million ($53,065 thousand) in the accompanying consolidated statements of income.

The purpose of this acquisition was to obtain the wide range of knowledge of the real estate industry, and to facilitate and develop the Company's service in real estate business.

The details of the acquisition cost were as follows:

		Millions of Yen	Thousands of U.S. Dollars
Consideration	Fair value of common shares of "Miyuki" at acquisition date	**¥9,706**	**$104,366**
Direct cost	Advisory costs and other expenses	**75**	**806**
Acquisition cost		**¥9,781**	**$105,172**

After this business combination, additional shares were acquired at ¥6,670 million ($71,720 thousand).

The difference between acquisition cost and the fair value of the common stock held in Miyuki upon change of control was ¥3,348 million ($36,000 thousand).

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

	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥ 4,316**	**$ 46,409**
Leased assets, investments, other assets and property and equipment	**69,398**	**746,215**
Total	**¥73,714**	**$792,624**
Current liabilities	**¥ 3,372**	**$ 36,258**
Long-term liabilities	**44,857**	**482,333**
Total	**¥48,229**	**$518,591**

b. On February 1, 2009, Mitsubishi Auto Leasing Corporation, an associated company that the Company applied the equity method to, merged with Central Auto Leasing Co., Ltd., a consolidated subsidiary. The purpose of the acquisition was to improve customer satisfaction through developing and providing new services by making the best of the skills of the two companies. The Company acquired the stock of Mitsubishi Auto Leasing Holdings Corporation, parent company of Mitsubishi Auto Leasing Corporation as consideration for this acquisition.

The share of Central Auto Leasing Co., Ltd. was transferred on February 1, 2009. Therefore the ten-month statement of income of Central Auto Leasing Co., Ltd. was consolidated in the year ended March 31, 2009.

	Millions of Yen	Thousands of U.S. Dollars
Revenues	**¥24,593**	**$250,949**
Operating income	**¥ 75**	**$ 765**

4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Debt securities	**¥ 71,350**	¥ 51,972	**$ 767,204**
Trust fund investments and other	**22,909**	16,320	**246,334**
Total	**¥ 94,259**	¥ 68,292	**$1,013,538**
Non-current:			
Equity securities	**¥ 37,332**	¥ 24,676	**$ 401,419**
Debt securities	**148,296**	176,651	**1,594,581**
Trust fund investments and other	**69,618**	81,972	**748,581**
Total	**¥255,246**	¥283,299	**$2,744,581**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 24,219**	**¥5,967**	**¥2,849**	**¥ 27,337**
Debt securities	**217,048**	**1,201**	**1,263**	**216,986**
Trust fund investments	**19,340**	**4**	**1,043**	**18,301**

	Millions of Yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥19,426	¥1,850	¥4,330	¥16,946
Debt securities	11,603	1	2,217	9,387
Trust fund investments	4,021		1,816	2,205

	Thousands of U.S. Dollars			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 260,419**	**$64,161**	**$30,634**	**$ 293,946**
Debt securities	**2,333,850**	**12,914**	**13,581**	**2,333,183**
Trust fund investments	**207,957**	**43**	**11,215**	**196,785**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2010 and 2009 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Available-for-sale:			
Equity securities	**¥ 9,995**	¥ 7,730	**$107,473**
Debt securities	**2,660**	219,236	**28,602**
Other	**74,226**	96,087	**798,129**
Total	**¥86,881**	¥323,053	**$934,204**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2009 were ¥280 million ($3,011 thousand) and ¥1,034 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥102 million ($1,097 thousand) and ¥18 million ($194 thousand), respectively, for the year ended March 31, 2010 and ¥419 million and ¥33 million, respectively, for the year ended March 31, 2009.

5. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Merchandise	**¥ 4,570**	¥4,609	**$ 49,140**
Real estate held for resale	**6,502**	2,489	**69,914**
Total	**¥11,072**	¥7,098	**$119,054**

6. Investment Property

On November 28, 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures," and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures." This accounting standard and the guidance are applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Companies applied the new accounting standard and guidance effective March 31, 2010.

The Companies hold some rental properties such as office buildings, commercial facilities and rental residential properties in major cities throughout Japan. Net of rental income and operating expenses for those properties was ¥3,987 million ($42,871 thousand) for the fiscal year ended March 31, 2010.

The carrying amounts, increases in balances, and fair value of the properties at March 31, 2010, were as follows:

Millions of Yen

Carrying amount			Fair value
Beginning of the year	Increase	End of the year	
¥40,889	**¥116,025**	**¥156,914**	**¥161,506**

Thousands of U.S. Dollars

Carrying amount			Fair value
Beginning of the year	Increase	End of the year	
$439,667	**$1,247,581**	**$1,687,247**	**$1,736,624**

Notes:
1) Carrying amount recognized in the balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Increase during the fiscal year ended March 31, 2010 was primarily attributable to ¥88,662 million ($953,355 thousand) of investment properties originally owned by newly consolidated subsidiaries, and ¥31,451 million ($338,183 thousand) from new acquisition of real estate.
3) Major properties were measured at fair value using third party real estate appraisers or by the Discounted Cash Flow method ("DCF"). Other properties were recognized as fair value at DCF rationally calculated by the Company, amounts calculated by using market price index, or appropriate book value for certain equipment and depreciable assets attached to buildings.

7. Lease Receivables and Investments in Lease

Lease receivables at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Gross lease receivables	**¥115,901**	¥90,393	**$1,246,247**
Unearned interest income	**(11,268)**	(6,935)	**(121,161)**
Total	**¥104,633**	¥83,458	**$1,125,086**

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
2011	¥ 34,375	$ 369,624
2012	25,414	273,269
2013	21,534	231,548
2014	13,782	148,193
2015	7,853	84,441
Thereafter	12,943	139,172
Total	¥115,901	$1,246,247

Investments in lease at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Gross investments in lease	**¥1,410,834**	¥1,521,631	**$15,170,258**
Residual values	**73,435**	80,707	**789,624**
Unearned interest income	**(330,455)**	(350,218)	**(3,553,280)**
Total	**¥1,153,814**	¥1,252,120	**$12,406,602**

The aggregate annual maturities of the future rentals on investments in lease as of March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
2011	¥ 386,848	$ 4,159,656
2012	294,727	3,169,107
2013	221,057	2,376,957
2014	150,325	1,616,398
2015	89,895	966,613
Thereafter	267,982	2,881,527
Total	¥1,410,834	$15,170,258

As discussed in Note 2.d, the Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. Due to this change, interest of finance lease contracts that do not transfer ownership of the leased property to the lessee and existed on the transition date was recorded using the straight-line method. That was ¥4,899 million ($52,677 thousand) larger for the year ended March 31, 2010 and ¥47,218 million smaller for the year ended March 31, 2009 than would be recorded using the interest method from the beginning of transition date.

Sublease contracts, including those that aim to disperse the credit risks, amounts of balance sheet accounts including interest as of March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Lease receivables	**¥16,200**	¥19,114	**$174,194**
Investments in lease	**25,455**	23,372	**273,710**
Lease obligations	**42,240**	42,914	**454,194**

8. Leased Assets

Leased assets as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Computers and office equipment	**¥ 31,545**	¥ 28,966	**$ 339,193**
Industrial and construction machinery	**172,003**	118,066	**1,849,495**
Other	**215,160**	82,715	**2,313,549**
Total	**418,708**	229,747	**4,502,237**
Advances for purchases of leased assets	**10,611**	4,872	**114,096**
Total leased assets	**¥429,319**	¥234,619	**$4,616,333**

The minimum future rentals on lease contracts as of March 31, 2010 and 2009 were ¥203,159 million ($2,184,505 thousand) and ¥147,881 million, respectively.

The aggregate annual maturities of the minimum future rentals on lease contracts as of March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 60,746	$ 653,182
2012	51,071	549,151
2013	35,859	385,581
2014	20,087	215,989
2015	12,258	131,806
Thereafter	23,138	248,796
Total	¥203,159	$2,184,505

9. Goodwill

Goodwill at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Goodwill in connection with the acquisition	**¥36,306**	¥38,442	**$390,387**
Consolidation goodwill	**10,441**	11,298	**112,269**
Total	**¥46,747**	¥49,740	**$502,656**

10. Pledged Assets

As of March 31, 2010 the following assets were pledged as collateral for long-term debt, other current liabilities and other long-term liabilities.

	Millions of Yen	Thousands of U.S. Dollars
Receivables — installment sales	**¥ 12,954**	**$ 139,290**
Receivables — loans	**74,348**	**799,441**
Lease receivables and investment in lease	**136,010**	**1,462,473**
Leased assets	**50,324**	**541,118**
Investment securities	**4,546**	**48,882**
Investment in unconsolidated subsidiaries and associated companies	**104**	**1,118**
Investment and other assets — other	**214**	**2,301**

The liabilities secured by the foregoing assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loans from the securitization of the minimum future rentals on lease contracts	**¥152,257**	**$1,637,172**
Loans from the banks and other financial institutions	**73,881**	**794,419**
Other current liabilities	**4**	**43**
Other long-term liabilities	**2,014**	**21,656**

11. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Short-term loans from banks and other financial institutions with interest rates ranging:			
2010 — from 0.30% to 8.40%	¥ 678,175		$ 7,292,204
2009 — from 0.54% to 15.50%		¥ 844,517	
Commercial paper with interest rates ranging:			
2010 — from 0.10% to 0.41%	872,400		9,380,645
2009 — from 0.26% to 1.85%		892,900	
Total	¥1,550,575	¥1,737,417	$16,672,849

Substantially all of the Company's short-term bank loans are made under agreements, as is customary in Japan, which provide that, at the request of such banks, the Company will provide additional collateral or guarantors with respect to the loan. As of March 31, 2010, the Company has not received any such request.

Long-term debt as of March 31, 2010 and 2009 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Bonds			
Straight bonds and floating-rate bonds due 2010 with interest rates ranging from 0.84% to 6.52%		¥119,620	
Straight bonds and floating-rate bonds due 2011 with interest rates ranging from 0.47% to 4.88%	¥114,276	47,060	$1,228,774
Straight bonds and floating-rate bonds due 2012 with interest rates ranging from 0.39% to 1.51%	68,100	56,600	732,258
Straight bonds and floating-rate bonds due 2013 with interest rates ranging from 0.82% to 1.74%	147,700	64,000	1,588,172
Straight bonds and floating-rate bonds due 2014 with interest rates ranging from 0.55% to 1.50%	50,200	4,000	539,785
Straight bonds and floating-rate bonds due 2015 with interest rates ranging from 0.72% to 1.06%	2,500	1,000	26,882
Floating-rate bonds due 2016 with interest rate of 0.95%	500		5,376
Loans from the securitization of the minimum future rentals on lease contracts with interest rates ranging:			
from 0.77% to 2.62%, due through 2016	145,027	156,103	1,559,430
Floating-rate, due through 2012	7,230	6,857	77,742
Lease obligations included fixed interests, due though 2024	42,260	42,926	454,409
Loans from the banks and other financial institutions, partially collateralized with interest rates ranging:			
from 0.45% to 8.40%, due through 2021	1,062,818		11,428,151
from 0.48% to 6.80%, due through 2024		997,775	
Total	1,640,611	1,495,941	17,640,979
Less current maturities	(422,131)	(370,377)	(4,539,043)
Long-term debt, less current maturities	¥1,218,480	¥1,125,564	$13,101,936

Annual maturities of long-term debt as of March 31, 2010 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 422,131	$ 4,539,043
2012	309,776	3,330,925
2013	421,533	4,532,613
2014	270,620	2,909,892
2015	105,114	1,130,259
Thereafter	111,437	1,198,247
Total	¥1,640,611	$17,640,979

The Company had loan commitment agreements as of March 31, 2010 and 2009 amounting to ¥286,000 million ($3,075,269 thousand) and ¥275,000 million, respectively, of which ¥286,000 million ($3,075,269 thousand) and ¥245,000 million were unused, respectively.

12. Retirement and Pension Plans

The Company has non-contributory funded pension plans for employees. Certain consolidated domestic subsidiaries have non-contributory funded pension plans for employees or unfunded retirement benefit plans.

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

The liability for retirement benefits for directors and corporate auditors of the consolidated domestic subsidiaries at March 31, 2010 and 2009 was ¥146 million ($1,570 thousand) and ¥420 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥16,303**	¥15,148	**$ 175,301**
Fair value of plan assets	**(9,537)**	(8,005)	**(102,548)**
Unrecognized prior service cost	**(2,497)**	(2,075)	**(26,850)**
Unrecognized actuarial loss	**(1,907)**	(3,083)	**(20,505)**
Net liability	**2,362**	1,985	**25,398**
Prepaid pension cost	**(134)**	(192)	**(1,441)**
Accrued liability	**¥ 2,496**	¥ 2,177	**$ 26,839**

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥962**	¥927	**$10,344**
Interest cost	**234**	223	**2,516**
Expected return on plan assets	**(129)**	(133)	**(1,387)**
Amortization of prior service cost	**274**	168	**2,946**
Recognized actuarial loss	**168**	183	**1,806**
Additionally paid retirement benefits	**2**	5	**22**
Net periodic benefit costs	**¥1,511**	¥1,373	**$16,247**

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	**1.5 to 1.7%**	1.5 to 1.7%
Expected rate of return on plan assets	**1.7 to 1.7%**	1.5 to 1.7%
Amortization period of prior service cost	**13 to 14 years**	13 to 14 years
Recognition period of actuarial gain/loss	**10 to 20 years**	10 to 20 years

13. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2010 totaling ¥161,614 million ($1,737,785 thousand), the used portion is ¥14,392 million (¥154,753 thousand), and the unused portion is ¥147,222 million ($1,583,032 thousand). This amount includes unused portions of the facilities of ¥108,833 million ($1,170,247 thousand), which will not necessarily be utilized in full because these facilities are subject to periodic reviews of the borrower's purpose of loan and credit standing, etc.

As of March 31, 2010, the Companies have commitments for the purchase of assets for leasing and installment sales, at a cost of approximately ¥99,105 million ($1,065,645 thousand).

The Companies are contingently liable as of March 31, 2010 as guarantor or co-guarantor for borrowings and others of ¥6,620 million ($71,183 thousand) for their unconsolidated subsidiaries and others.

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

14. Equity

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

(a) Dividends

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

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

Moreover, the additional dividend restriction that is restricted by the consolidated retained earnings applies to the Company.

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

15. Capital Increase

The Company issued 9,265,000 shares (issue price per share: ¥3,617) of common stock of the Company as private placement to Mitsubishi Corporation on April 18, 2008. As a result of this new issuance of shares, the Company recorded increases in common stock and additional paid-in capital account of ¥16,756 million and ¥16,755 million, respectively.

16. Stock Based Compensation

The Company has a stock option plan for certain directors and executive officers. Under the plan the right to purchase the common shares of the Company is granted at an exercise price of ¥1 per share. The contractual term of the stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 5 years period starting the day 1 year after leaving their position as either director, corporate auditor or executive officer of the Company.

The total stock-based compensation cost recognized for the year ended March 31, 2010 was ¥181 million ($1,946 thousand). The weighted average fair value of option, granted under the plan at the grant date was ¥2,643 ($28.42) per share. The fair value of these stock options is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table.

Volatility of stock price:	52.98%
Estimated remaining outstanding period :	3.4 years
Estimated dividend :	1.65%
Risk free interest rate based :	0.38%

The volatility of stock price is based on the historical volatility of the Company's stock for the 3.4 year period, from May 23, 2006 to October 15, 2009. The estimated remaining outstanding period is based on average term period and average age as of retirement. The estimated dividend is based on the actual per share dividend of ¥46 ($0.49) made in the preceding year. The risk free interest rate is based on the yield of government bonds having a remaining life equal to the option's estimated remaining outstanding period.

The Stock option activity for the fiscal year ended March 31, 2010 was as follows:

	Number of Shares
Outstanding at beginning of the fiscal year	
Granted	68,440
Canceled or expired	—
Exercised	—
Outstanding at end of the fiscal year	68,440
Vested at end of the fiscal year	68,440

17. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Provision for doubtful receivables	**¥39,083**	¥31,789	**$420,247**
Employees' salaries, bonuses and allowances	**13,067**	13,400	**140,505**
Other	**31,606**	32,640	**339,850**
Total	**¥83,756**	¥77,829	**$900,602**

18. Related Party Transactions

The transactions with associates and a principal shareholder for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Interest expense	**¥2,942**	¥ 4,813	**$31,634**
Revenue			
Loans		23	
Capital increase		33,512	

Amounts due from and to associates and a principal shareholder as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Receivables:			
Loans		¥ 16,000	
Short-term borrowings	**¥169,500**	242,714	**$1,822,581**
Long-term debt including current maturities	**218,005**	188,165	**2,344,140**

19. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2010, and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010, and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets:			
Allowance for doubtful receivables	**¥22,487**	¥15,199	**$241,796**
Advances received-lease	**3,399**	2,999	**36,548**
Investment securities and investments in subsidiaries and associated companies	**3,337**	1,950	**35,882**
Other	**12,873**	18,327	**138,419**
Total	**42,096**	38,475	**452,645**
Less valuation allowance	**9,843**	6,602	**105,839**
Less deferred tax liabilities	**9,060**	8,235	**97,419**
Net deferred tax assets	**¥23,193**	¥23,638	**$249,387**

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax liabilities:			
Difference in assets and liabilities of newly consolidated subsidiary between fair value and tax basis	**¥ 7,366**		**$ 79,204**
Difference in assets and liabilities between purchase method and tax basis	**4,525**	¥5,562	**48,656**
Other	**5,522**	4,435	**59,376**
Total	**17,413**	9,997	**187,236**
Less deferred tax assets	**9,060**	8,235	**97,419**
Net deferred tax liabilities	**¥ 8,353**	¥1,762	**$ 89,817**

The difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2010 is not significant.

The reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2009 is as follows:

	2009
Normal effective statutory tax rate	40.7%
Increase in valuation allowance	11.0
Amortization of goodwill in connection with the acquisition, consolidation goodwill and negative goodwill	6.9
Provision for loss on liquidation of foreign subsidiaries	3.5
Dividend income and others not taxable	(5.2)
Other	0.6
Actual effective tax rate	57.5%

20. Leases

The Companies lease certain equipment and other assets under finance leases. Total rental expenses under such leases for the years ended March 31, 2010 and 2009 were ¥15 million ($161 thousand) and ¥52 million, respectively.

As discussed in Note 2.d, the Companies account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and other information for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		
March 31, 2010	Property and equipment	Other (Software)	Total
Acquisition cost	**¥ 41**	**¥ 5**	**¥ 46**
Accumulated depreciation	**(35)**	**(4)**	**(39)**
Net leased property	**¥ 6**	**¥ 1**	**¥ 7**

	Millions of Yen		
March 31, 2009	Property and equipment	Other (Software)	Total
Acquisition cost	¥ 71	¥ 24	¥ 95
Accumulated depreciation	(52)	(20)	(72)
Net leased property	¥ 19	¥ 4	¥ 23

	Thousands of U.S. Dollars		
March 31, 2010	Property and equipment	Other (Software)	Total
Acquisition cost	**$ 440**	**$ 54**	**$ 494**
Accumulated depreciation	**(376)**	**(43)**	**(419)**
Net leased property	**$ 64**	**$ 11**	**$ 75**

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method, for the years ended March 31, 2010 and 2009 was ¥15 million ($161 thousand) and ¥52 million, respectively.

The future minimum payments for such non-cancelable financing leases, including the imputed interest, and operating leases as lessee at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Obligations under finance leases			
Due within one year	**¥ 5**	¥ 16	**$ 54**
Due after one year	**2**	7	**21**
Total	**¥ 7**	¥ 23	**$ 75**
Obligations under operating leases			
Due within one year	**¥1,290**	¥1,530	**$13,871**
Due after one year	**1,494**	2,530	**16,064**
Total	**¥2,784**	¥4,060	**$29,935**

21. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ended on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ended before March 31, 2010. The Companies applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Policy for financial instruments

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

In order to finance these businesses, the Companies utilize indirect financing, primarily bank loans, as well as direct financing, issuance of bonds, commercial paper, and securitization receivables.
So as to properly manage the interest rate risk that arises from mismatch of interest conditions and that of duration between invested assets and financing liabilities, the Companies utilize asset liability management (ALM).

Derivatives are used, not for speculative and trading purposes, but to hedge interest and foreign currency exposures as described in Note 22.

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

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

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

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

The major operating receivables of the Companies are lease receivables and installment receivables. These assets are with fixed interest rates. Some loan receivables also are at fixed interest rates.
However, the Companies use some floating interest rate financing instruments which expose them to interest rate risk.

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

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

Please see Note 22 for more detail about derivatives.

(3) Risk management for financial instruments

(a) Credit risk management

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

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

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

(i) Interest rate fluctuation risk management

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

(ii) Foreign exchange risk management

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

(iii) Price fluctuation risk management

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

(iv) Derivative transactions

The financial department utilizes derivative transactions in accordance with internal rules set by the Management Committee and the executive officer in charge authorizes each derivative transaction. Interest rate fluctuation risk is managed comprehensively through ALM with interest rate fluctuation risk of assets and liabilities on the balance sheet. Foreign currency fluctuation risk is managed on an individual project basis. The status of these derivative transactions is reported to the Management Committee every quarter. Credit risk due to non-fulfillment of contract is managed by setting individual credit limits according to the financing credit rating of the customer.

(c) Liquidity risk management on financing

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

(4) Supplementary information on fair value of financial instruments

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

Fair value of financial instruments other than derivatives at March 31, 2010 was as follows:
Please see Note 22 for fair value information for derivatives.

	Millions of yen		
March 31, 2010	Carrying amount	Fair Value	Unrealized gain/loss
Cash and cash equivalents	¥ 12,980	¥ 12,980	
Time deposits other than cash equivalents	617	617	
Receivables			
Installment sales	342,386		
Deferred profit on installment sales	(45,334)		
Allowance for doubtful receivables	(3,248)		
	293,804	316,574	¥ 22,770
Loans	1,222,770		
Allowance for doubtful receivables	(11,368)		
	1,211,402	1,244,932	33,530
Lease receivables and investments in lease	1,258,447		
Residual values of investments in lease	(73,435)		
Allowance for doubtful receivables	(6,605)		
	1,178,407	1,269,196	90,789
Marketable and investment securities	262,624	262,624	
Investment in unconsolidated subsidiaries and associated companies	1,587	1,587	
Long-term receivables	46,351		
Allowance for doubtful receivables	(6,802)		
	39,549	39,549	
Total	¥3,000,970	¥3,148,059	¥147,089
Short-term loans from banks and other financial institutions	¥ 678,175	¥ 678,175	
Commercial paper	872,400	872,400	
Payables-trade	80,575	80,575	
Bonds	383,276	385,121	¥ 1,845
Loans from the securitizations of the minimum future rentals on lease contracts	152,257	152,810	553
Long-term loans from banks and other financial institutions	1,062,819	1,068,220	5,401
Total	¥3,229,502	¥3,237,301	¥ 7,799

March 31, 2010	Thousands of U.S. Dollars Carrying amount	Fair Value	Unrealized gain/loss
Cash and cash equivalents	$ 139,570	$ 139,570	
Time deposits other than cash equivalents	6,634	6,634	
Receivables			
Installment sales	3,681,570		
Deferred profit on installment sales	(487,462)		
Allowance for doubtful receivables	(34,925)		
	3,159,183	3,404,022	$ 244,839
Loans	13,148,065		
Allowance for doubtful receivables	(122,237)		
	13,025,828	13,386,365	360,537
Lease receivables and investments in lease	13,531,688		
Residual values of investments in lease	(789,624)		
Allowance for doubtful receivables	(71,021)		
	12,671,043	13,647,269	976,226
Marketable and investment securities	2,823,914	2,823,914	
Investment in unconsolidated subsidiaries and associated companies	17,064	17,064	
Long-term receivables	498,398		
Allowance for doubtful receivables	(73,140)		
	425,258	425,258	
Total	$32,268,494	$33,850,096	$1,581,602
Short-term loans from banks and other financial institutions	$ 7,292,204	$ 7,292,204	
Commercial paper	9,380,645	9,380,645	
Payables-trade	866,398	866,398	
Bonds	4,121,247	4,141,086	$ 19,839
Loans from the securitizations of the minimum future rentals on lease contracts	1,637,172	1,643,118	5,946
Long-term loans from banks and other financial institutions	11,428,161	11,486,236	58,075
Total	$34,725,827	$34,809,687	$ 83,860

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

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Receivables — Installment sales

The fair values of receivables-installment sales are measured by discounting the total amount to be received based on collection schedule at the interest rate assumed when similar and new installment sales are made, based on the same internal rating and period, and so on.

Receivables — Loans

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

The fair values of loan receivables with fixed interest rates are measured by discounting the total amount to be received of principal and interest at the interest rate assumed when a similar and new lending is made, based on its internal rating and period, and so on.

(*) Loan receivables with fixed interest rates are netted against the related fixed-to-floating interest rate swaps when qualifying for hedge accounting and meeting specific matching criteria.

Lease receivables and investments in lease

The fair values of lease receivables and investments in lease are measured by discounting the amount to be received based on the collection schedule reduced by the amount of the estimate for the administrative and maintenance expense at the interest rate assumed when similar and new lease dealings are made based on its internal rating and period, and so on.

Marketable and investment securities

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

Long-term receivables

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

Short-term borrowings from banks and other financial institutions

The carrying values of short-term borrowings from banks and other financial institutions approximate fair value because of short term settlement.

The balances in the consolidated balance sheets include in the short-term borrowings and commercial paper.

Commercial Paper

The carrying values of commercial paper approximate fair value because of short term settlement.

The balances in the consolidated balance sheets included in the short-term borrowings and commercial paper.

Payables-trade

The carrying values of payables-trade approximate fair value because of short term settlement.

Bonds

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

[*] Bonds with fixed rate are netted against related floating-to-fix interest rate swaps when qualifying for hedge accounting and meeting specific criteria. (See Note 22)

Loans from the securitizations of the minimum future rentals on lease contracts

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

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

Long-term loans from banks and other financial institutions

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

(*) As to the long-term debt involved in the interest rate swap contracts that qualify for hedge accounting and meet specific matching criteria, the total amount of its principal and interest at the post-swap rate is applied.
As to the long-term debt involved in the cross currency interest rate swap contracts that qualify for hedge accounting and meet specific matching criteria, the total amount of its principal and interest is considered as borrowings of yen currency at a fixed rate (See Note 22).

Derivatives

The information regarding the fair value for derivatives is included in Note 22.

Financial instruments of which fair value is not readily determinable.

Non-marketable securities were summarized as follows;

Year Ending March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Subsidiaries and related parties shares(*)	¥ 19,369	$ 208,269
Unlisted shares(*)	9,994	107,462
Unlisted domestic bonds	2,660	28,602
Trust beneficiary interests	212	2,280
Silent partnership interest	68,338	734,817
Senior equity interest	6,120	65,806
Limited partnership interest	4,998	53,742
Total	¥111,691	$1,200,978

(*) Losses on impairment were recognized for the year ended March 31, 2010; ¥21 million ($226 thousand) on impairment of subsidiaries and related parties shares, and ¥8 million ($86 thousand) on that of unlisted shares.

Maturity analysis for receivables and securities with contractual maturities at March 31, 2010 was as follows:

	Millions of Yen					
March 31, 2010	Due in one years or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years
Cash and cash equivalents	¥ 12,980					
Time deposits other than cash equivalents	617					
Receivables						
Installment sales (1)	103,641	¥ 74,824	¥ 50,388	¥ 33,542	¥ 22,571	¥ 57,420
Loans	356,481	294,926	189,858	133,655	91,770	156,080
Lease receivables and investments in lease (2)	421,223	320,141	242,591	164,107	97,748	280,925
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	71,350	59,461	49,457	17,134	12,644	2,320
Other	22,909	15,540	14,835	9,657	10,438	13,272
Total	¥989,201	¥764,892	¥547,129	¥358,095	¥235,171	¥510,017

March 31, 2010	Thousands of U.S. Dollars Due in one years or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years
Cash and cash equivalents	$ 139,570					
Time deposits other than cash equivalents	6,634					
Receivables						
Installment sales (1)	1,114,419	$ 804,559	$ 541,806	$ 360,667	$ 242,699	$ 617,419
Loans	3,833,129	3,171,247	2,041,484	1,437,151	986,774	1,678,280
Lease receivables and investments in lease (2)	4,529,280	3,442,376	2,608,505	1,764,591	1,051,054	3,020,699
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	764,204	639,366	531,796	184,237	135,957	24,946
Other	246,334	167,097	159,516	103,838	112,236	142,710
Total	$10,633,570	$8,224,645	$5,883,108	$3,850,484	$2,528,720	$5,484,054

(1) Including unrealized profit of installment sales.
(2) Including unearned interest income.
(3) Long-term receivables to customers in distress, of which repayment schedule cannot be expected are not presented in the above table.
(4) Please see Note 11 for the information of maturity of short-term borrowings and long-term debt.

22. Derivatives

The Companies enter into foreign exchange forward contracts, currency option contracts and cross-currency interest rate swap contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts and cap contracts to manage their interest rate exposures on certain assets and liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within their businesses. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Companies do not hold or issue derivatives for trading purposes. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

As Noted in Note 21, the Companies applied ASBJ Statement No. 10, “Accounting Standard for Financial Instruments” and ASBJ Guidance No. 19, “Guidance on Accounting Standard for Financial Instruments and Related Disclosures,” effective March 31, 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2010 and 2009 were as follows:

	Millions of Yen						
	2010				2009		
	Contract Amount	Contract Amount Due after One year	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Cross-currency interest rate swap contracts:							
U.S. Dollar payment, Yen receipt	**¥ 1,482**		**¥ 58**	**¥ 58**	¥ 3,955	¥ 5	¥ 5
Thai Baht payment, Yen receipt	**300**	**¥ 300**	**44**	**44**	350	65	65
Currency option contracts:							
Buying, call U.S. Dollar					17		
Foreign exchange forward contracts:							
Buying					17		
Interest rate swap contracts:							
Floating rate payment, fixed rate receipt					1,142	39	39
Fixed rate payment, floating rate receipt	**4,628**	**3,773**	**(180)**	**(180)**	4,869	(210)	(210)
Floating rate payment, floating rate receipt	**13,000**	**10,000**	**141**	**141**	13,000	89	89
Interest rate cap							
Buying	**¥ 1,932**	**¥ 1,656**	**¥ 2**	**¥ (21)**	¥ 2,340	¥ 6	¥ (32)

	Thousands of U.S. Dollars			
	2010			
	Contract Amount	Contract Amount Due after One year	Fair Value	Unrealized Gain/Loss
Cross-currency interest rate swap contracts:				
U.S. Dollar payment, Yen receipt	**$ 15,935**		**$ 624**	**$ 624**
Thai Baht payment, Yen receipt	**3,226**	**$ 3,226**	**473**	**473**
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	**49,763**	**40,570**	**(1,935)**	**(1,935)**
Floating rate payment, floating rate receipt	**139,785**	**107,527**	**1,516**	**1,516**
Interest rate cap				
Buying	**$ 20,774**	**$ 17,806**	**$ 22**	**$ (226)**

Derivative transactions to which hedge accounting is applied at March 31, 2010 were as follows:

	Hedged Item	Millions of Yen 2010 Contract Amount	Contract Amount Due after One year	Fair Value
Foreign exchange forward contracts:				
Buying	Long-term debt	¥ 4,494	¥ 4,494	¥ (413)
Selling	Short-term borrowings	67		(3)
Cross-currency interest rate swap contracts:				
Yen payment, U.S. Dollar receipt	Long-term debt	35,000	35,000	2
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	Short-term borrowings, Long-term debt, Receivables — Loan	451,851	256,025	(2,758)
Interest rate swap contracts:				
Floating rate payment, fixed rate receipt	Long-term debt	4,000	2,000	2
Fixed rate payment, floating rate receipt	Long-term debt, Receivables — Loan	65,740	45,470	

	Hedged Item	Thousands of U.S. Dollars 2010 Contract Amount	Contract Amount Due after One year	Fair Value
Foreign exchange forward contracts:				
Buying	Long-term debt	$ 48,323	$ 48,323	$ (4,441)
Selling	Short-term borrowings	720		(32)
Cross-currency interest rate swap contracts:				
Yen payment, U.S. Dollar receipt	Long-term debt	376,344	376,344	22
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	Short-term borrowings, Long-term debt, Receivables — Loan	4,858,613	2,752,957	(29,656)
Interest rate swap contracts:				
Floating rate payment, fixed rate receipt	Long-term debt	43,011	21,505	22
Fixed rate payment, floating rate receipt	Long-term debt, Receivables — Loan	706,882	488,925	

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

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

The Cross-currency interest rate swap contracts and the interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria are assigned to the associated long-term loans from banks and other financial institutions and recorded in the consolidated balance sheets at March 31, 2010, and included in the fair value of long-term loans from banks and other financial institutions.

For the years ended of March 31, 2009, derivative transactions to which hedge accounting is applied were not required to be disclosed.

23. Segment Information

Information about industry segments for the years ended March 31, 2010 and 2009 was as follows:

Industry segments

	Millions of Yen					
Year Ended March 31, 2010	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated
(1) Operating income						
Revenue from customers	**¥ 558,615**	**¥122,615**	**¥ 39,048**	**¥ 26,765**		**¥ 747,043**
Intersegment revenue	**252**		**4,258**	**2,301**	**¥ (6,811)**	
Total revenues	**558,867**	**122,615**	**43,306**	**29,066**	**(6,811)**	**747,043**
Operating expenses	**524,639**	**119,250**	**47,343**	**21,222**	**8,776**	**721,230**
Operating income (loss)	**¥ 34,228**	**¥ 3,365**	**¥ (4,037)**	**¥ 7,844**	**¥ (15,587)**	**¥ 25,813**
(2) Total assets, depreciation and capital expenditures						
Total assets	**¥1,764,980**	**¥352,034**	**¥1,721,494**	**¥332,951**	**¥(286,298)**	**¥3,885,161**
Depreciation	**62,800**				**3,072**	**65,872**
Capital expenditures	**169,762**				**7,428**	**177,190**

	Millions of Yen					
Year Ended March 31, 2009	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated
(1) Operating income						
Revenue from customers	¥ 613,717	¥140,159	¥ 38,393	¥ 26,350		¥ 818,619
Intersegment revenue	187		4,505	2,038	¥ (6,730)	
Total revenues	613,904	140,159	42,898	28,388	(6,730)	818,619
Operating expenses	588,221	138,038	37,653	17,789	10,032	791,733
Operating income (loss)	¥ 25,683	¥ 2,121	¥ 5,245	¥ 10,599	¥ (16,762)	¥ 26,886
(2) Total assets, depreciation and capital expenditures						
Total assets	¥1,647,095	¥426,531	¥1,659,346	¥348,940	¥(172,835)	¥3,909,077
Depreciation	49,660				3,662	53,322
Capital expenditures	106,162				6,167	112,329

	Thousands of U.S. Dollars					
Year Ended March 31, 2010	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated
(1) Operating income						
Revenue from customers	**$ 6,006,613**	**$1,318,441**	**$ 419,871**	**$ 287,795**		**$ 8,032,720**
Intersegment revenue	**2,710**		**45,785**	**24,742**	**$ (73,237)**	
Total revenues	**6,009,323**	**1,318,441**	**465,656**	**312,537**	**(73,237)**	**8,032,720**
Operating expenses	**5,641,280**	**1,282,258**	**509,065**	**228,193**	**94,365**	**7,755,161**
Operating income (loss)	**$ 368,043**	**$ 36,183**	**$ (43,409)**	**$ 84,344**	**$ (167,602)**	**$ 277,559**
(2) Total assets, depreciation and capital expenditures						
Total assets	**$18,978,280**	**$3,785,312**	**$18,510,688**	**$3,580,118**	**$(3,078,473)**	**$41,775,925**
Depreciation	**675,269**				**33,032**	**708,301**
Capital expenditures	**1,825,398**				**79,871**	**1,905,269**

As discussed in Note 2.f, the Companies applied the ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related

Disclosures," effective March 31, 2010. The effect of this change as of March 31, 2010 was to increase the assets of the other segment by ¥1,204 million ($12,946 thousand) and those of eliminations or corporate by ¥162 million ($1,742 thousand), and was immaterial to the operating income of each segment.

As discussed in Note 2. d, the Company and its consolidated domestic subsidiaries applied the ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," effective April 1, 2008. The effect of this change as of March 31, 2009 was to increase operating income of the lease segment by ¥2,509 million.

Revenues and total assets of the Company and its domestic subsidiaries for the year ended March 31, 2010 and 2009, represented more than 90% of consolidated revenues and total assets of each respective year. Accordingly, geographic segments are not required to be disclosed.

Revenues from foreign customers for the years ended March 31, 2010 and 2009 represented less than 10% of consolidated revenues of each respective year. Accordingly, revenues from foreign customers are not required to be disclosed.

24. Net Income per Share

The reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 was as follows:

	Millions of Yen	Thousands of shares	Yen	Dollars
For the year ended March 31, 2010	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥20,727	89,557	¥231.44	$2.00
Effect of dilutive securities warrants		31		
Diluted EPS				
Net income for computation	¥20,727	89,588	¥231.36	$2.00

25. Subsequent Event

On May 18, 2010, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Cash dividends of ¥24 ($0.26) per share	¥2,149	$23,108

Independent Auditors' Report

Deloitte.

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

We have audited the accompanying consolidated balance sheets of Mitsubishi UFJ Lease & Finance Company Limited (the "Company") and consolidated subsidiaries as of March 31,2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.b to the consolidated financial statements, the Company applied the Accounting Standard Board of Japan Statement No. 21, "Accounting Standard for Business Combinations" effective April 1, 2009.

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

Deloitte Touche Tohmatsu LLC

June 29, 2010

Member of
Deloitte Touche Tohmatsu

Group Network

(as of June 29, 2010)

Overseas Network

◆ Mitsubishi UFJ Lease & Finance (Hong Kong) Limited	402 Far East Finance Centre, 16 Harcourt Road, Hong Kong Phone: 852-2527-7620
◆ Mitsubishi UFJ Lease & Finance (China) Co. Ltd.	Unit 2302, Azia Center, 1233 Lujiazui Ring Road, Pudong, Shanghai, P.R.C. Phone: 86-21-6888-0050
◆ Bangkok Mitsubishi UFJ Lease Co., Ltd.	8th FL Sethiwan Tower, 139 Pan Road, Silom, Bangrak Bangkok 10500, Thailand Phone: 66-2-266-6040
◆ PT. Mitsubishi UFJ Lease & Finance Indonesia	MIDPLAZA 1, 10th Floor, Jalan Jendral Sudirman Kav. 10-11, Jakarta 10220, Indonesia Phone: 62-21-573-5905
◆ Mitsubishi UFJ Lease (Singapore) Pte. Ltd.	80 Raffles Place #30-21, UOB Plaza 2, Singapore 048624 Phone: 65-6220-2515
◆ Mitsubishi UFJ Lease & Finance (U.S.A.) Inc.	<Head Office> 7300 Turfway Road, Suite 510, Florence, KY 41042, U.S.A. Phone: 1-859-594-4380 <Los Angeles Branch> 21250 Hawthorne Blvd., Suite 500, Torrance, CA 90503, U.S.A. Phone:1-310-792-7440
◆ Mitsubishi UFJ Lease & Finance (Ireland) Limited	AIB International Centre, IFSC, Dublin 1, Ireland Phone: 353-1-670-1822
◆ New York Representative Office	100 Park Avenue, Suite 1656, New York, NY 10017, U.S.A. Phone: 1-212-880-2652
◆ Ho Chi Minh City Representative Office	9th Floor Sun Wah Tower, 115 Nguyen Hue Boulevard, District 1, Ho Chi Minh City, Vietnam Phone: 84-8-3821-9090

Domestic Network

- Head Office
  Shin-Marunouchi Building, 5-1,
  Marunouchi 1-chome, Chiyoda-ku,
  Tokyo 100-6525, Japan
  Phone: 81-3-6865-3000
- Nagoya Head Office
  22-24, Marunouchi 3-chome,
  Naka-ku, Nagoya City,
  Aichi 460-8407, Japan
  Tel 81-52-857-9200
- Shinkawa Office
- Otemachi Office
- Shinjyuku Business Department
- Sapporo Branch
- Tohoku Branch
- Omiya Branch
- Chiba Branch
- Ueno Branch
- Gotanda Branch
- Ikebukuro Branch
- Tachikawa Branch
- Yokohama Branch
- Kariya Business Department
- Hokuriku Branch
- Gifu Branch
- Hamamatsu Branch
- Shizuoka Business Office
- Numazu Branch
- Yokkaichi Branch
- Osaka Office
- Kyoto Branch
- Kobe Branch
- Okayama Branch
- Shikoku Branch
- Hiroshima Branch
- Kyusyu Branch
- Kumamoto Business Office
- Minami Kyusyu Business Office

Domestic Subsidiaries and Affiliates

Lease and financing business
- Japan Medical Lease Corporation
- DFL Lease Company Limited
- Shinko Lease Co., Ltd.
- The Casio Lease Company Limited
- Hirogin Lease Co. Ltd.
- Shutoken Leasing Co., Ltd.
- Chukyo General Lease Co., Ltd.
- Mitsubishi Electric Credit Corporation

Auto lease and Auto financing business
- MMC Diamond Finance Corporation
- Hirogin Auto Lease Co. Ltd.
- Mitsubishi Auto Leasing Holdings Corporation
- Mitsubishi Auto Leasing Corporation
- Just Automobile Leasing Co., Ltd.

Rental business
- Diamond Rental System Company Limited
- Techno Rent Co., Ltd.

Real estate-related business
- Central Compass Co., Ltd.
- Diamond Asset Finance Company Limited
- Diamond Asset Service Company Limited
- Miyuki Building Co., Ltd.

Insurance business
- MUL Insurance Company Limited

Used equipment trading business
- MUL Eco-Business Co., Ltd.
- Diamond Equipment, Inc.
- U-Machine Inc.
- M-CAST, Inc.

Others
- MUL Business Company Limited
- CL Solution Management Co., Ltd.
- Global Asset Solution Company Limited
- MUL Principal Investments Company Limited

Corporate History

Mitsubishi UFJ Lease & Finance Company Limited

History of Diamond Lease

April 1971	Established by Mitsubishi Group companies
March 1985	Listed on the Second Section of the Tokyo Stock Exchange
September 1988	Listed on the First Section of the Tokyo Stock Exchange
December 1998	Acquired Minami-Kyusyu Diamond Lease Company Limited
October 1999	Merged with Ryoshin Leasing Corporation
August 2000	Acquired major share of The Casio Lease Company Limited
January 2001	Acquired ISO14001 certification
March 2002	Acquired major share of Hirogin Lease Co. Ltd.
March 2003	Invested in Mitsubishi Electric Credit Corporation (45%)
January 2004	Acquired major share of The Daiwa Factor and Leasing Co., Ltd. (renamed DFL Lease Company Limited)
August 2006	Acquired major share of Kyocera Leasing Company Limited (renamed Diamond Asset Finance Company Limited)
February 2007	Acquired major share of MMC Diamond Finance Corporation
March 2007	Established Mitsubishi Auto Leasing Holdings Corporation with Mitsubishi Corporation, as a holding company for Diamond Auto Lease Co., Ltd. and Mitsubishi Auto Leasing Corporation

History of UFJ Central Leasing

May 1969	Established as Central Leasing Co., Ltd., the first leasing operator in Japan's Chubu region
November 1989	Listed on the Second Section of the Nagoya Stock Exchange
March 2000	Acquired major share of Shinko Lease Co., Ltd.
March 2001	Invested in Techno Rent Co., Ltd. (30%) Acquired major share of Japan Medical Lease Corporation
November 2002	Acquired ISO14001 certification
March 2003	Acquired major share of Chukyo General Lease Co., Ltd. Invested in Just Automobile Leasing Co., Ltd. (20%)
February 2004	Acquired major share of Asahigin Leasing Co., Ltd. (renamed Shutoken Leasing Co., Ltd.)
April 2004	Integrated the leasing division of UFJ Business Finance Co., Ltd. (renamed Mitsubishi UFJ Factors Limited) and changed corporate name to UFJ Central Leasing Co., Ltd.
April 2004	Listed on the First Section of the Tokyo and Nagoya Stock Exchanges

April 2007	Diamond Lease Company Limited and UFJ Central Leasing Co., Ltd. merged to form Mitsubishi UFJ Lease & Finance Company Limited
October 2007	Mitsubishi Auto Leasing Corporation merged with Diamond Auto Lease Co., Ltd.
February 2009	Mitsubishi Auto Leasing Corporation merged with Central Auto Leasing Co., Ltd. Company Name: Mitsubishi Auto Leasing Corporation
July 2009	Acquired major share of Miyuki Building Co., Ltd.

Corporate Data

(as of March 31, 2010)

Company Name	Mitsubishi UFJ Lease & Finance Company Limited
URL	http://www.lf.mufg.jp/english/
Head Office	Shin-Marunouchi Building, 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6525, Japan Phone: +81-3-6865-3000
Date of Establishment	April 12, 1971
Paid in Capital	¥33,196,047,500
Stock Information	Number of Authorized Shares: 320,000,000 Number of Issued Shares: 89,583,416 Number of Shareholders: 6,746 Stock Listing First Section of the Tokyo Stock Exchange (TSE) First Section of the Nagoya Stock Exchange (NSE) Security code: 8593
Number of Employees	Consolidated: 2,219, Parent: 1,195
Fiscal Year	April 1 to March 31
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Auditor	Deloitte Touche Tohmatsu

Principal Shareholders

Shareholder Name	Number of Shares Held (thousands)	Ownership (%)
Mitsubishi Corporation	17,918	20.00
Mitsubishi UFJ Financial Group, Inc.	8,267	9.22
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,448	6.08
The Master Trust Bank of Japan, Ltd. (trust account)	3,183	3.55
Meiji Yasuda Life Insurance Company	3,177	3.54

Mitsubishi UFJ Lease & Finance Company Limited

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