Mitsubishi UFJ Lease & Finance

MUFG

Value Integrator

Generating Corporate Value

By offering solutions tailored to global needs

Annual Report 2013

For the fiscal year ended March 31, 2013

Contents

Annual Report 2013

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.

About Us

Value Integrator

“Value Integrator” is the corporate signature phrase of Mitsubishi UFJ Lease & Finance. It expresses our strong commitment as a Group to continuously creating new Value by using leasing and financing activities to Integrate the entire range of tangible and intangible assets held by the customer. By offering unique solutions to the various management issues facing customers—from shrinking its balance sheet and realizing efficient fund procurement to responding to the globalization of business activities or converting to energy efficiency—we contribute to boosting customer corporate value.

In today’s world of business finance, the convergence of financial services and commercial business is accelerating. By expanding our business domains and further enhancing products and services, we will continue to respond accurately to increasingly complex and sophisticated customer needs, thereby targeting sustainable growth and a further increase in corporate value as a comprehensive finance company that leads the industry.

Our Business Fields

Insurance business

We are active in sales and consulting of business insurance and individual insurance for various needs.

Rental business

We provide IT asset management service in additon to rental of IT equipment, machine tools and measurement equipment.

Overseas network

We are supporting finance of necessary capital investment for customers developing businesses overseas.

MUFG Mitsubishi UFJ Lease & Finance

Real estate-related business

We provide real estate lease, real estate-related finance and loans to owners of condominiums for investment purposes.

Auto lease and auto finance business

We provide a comprehensive range of services from auto lease and auto finance to rent-a-car.

Used equipment trading business

We are active in the trading of used equipment such as semiconductor production equipment, machine tools and medical equipment.

Lease and financing business

Group companies with characteristics in the region and the business field meet various needs.

Key Figures

Balance of Operating Assets
¥3,714 billion

New Transactions Volume
¥1,356 billion

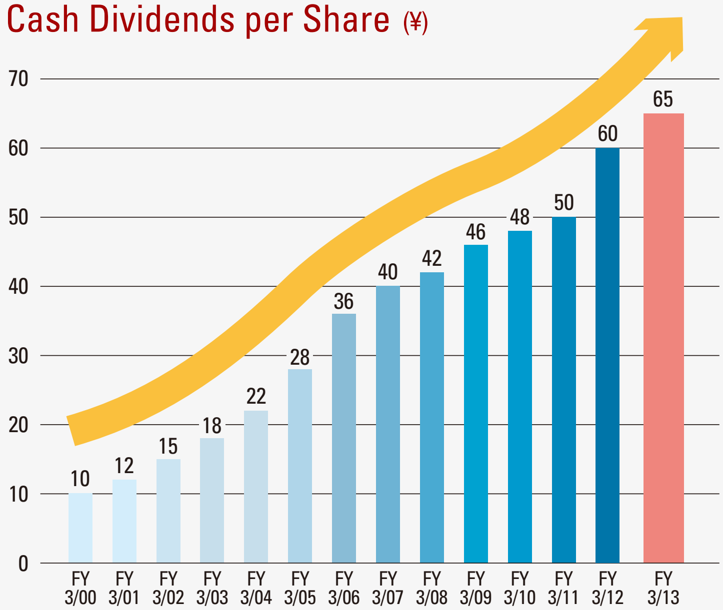
Gross Profit
¥118 billion

External Ratings

(as of July 31, 2013)

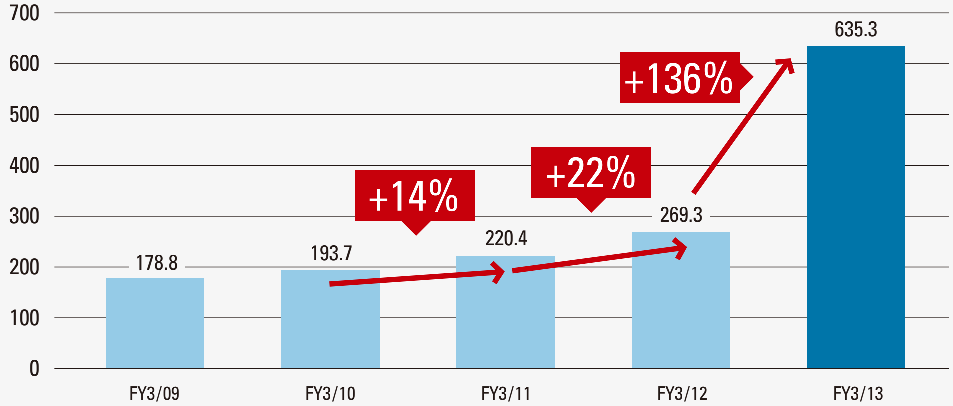
Rating agency	Long-term rating
JCR Japan Credit Rating Agency, Ltd.	AA–
R&I Rating and Investment Information, Inc.	A+
Moody's	A3
S&P Standard & Poor's	A

Cash Dividends per Share (¥)



Overseas Operating Assets

(¥ Billion)

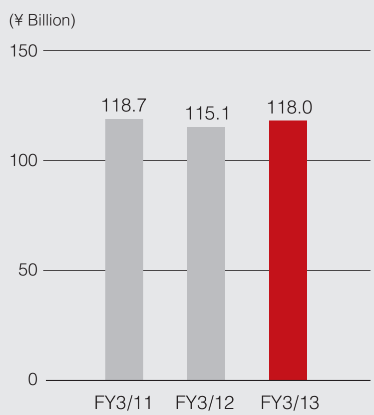


Financial Highlights
Years Ended March 31, 2013, 2012 and 2011

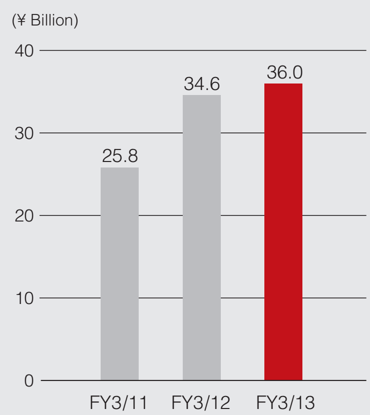
Mitsubishi UFJ Lease & Finance Company Limited
and its consolidated subsidiaries

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	**2013**
For the year:				
Total revenues	**¥ 698,155**	¥ 724,611	¥ 724,763	**$ 7,427,181**
Gross profit	**118,033**	115,078	118,730	**1,255,670**
Net income	**36,039**	34,641	25,756	**383,394**
At year-end:				
Total assets	**¥ 4,177,784**	¥ 3,682,299	¥ 3,721,137	**$ 44,444,511**
Total equity	**468,062**	420,864	389,803	**4,979,383**
Number of shares of common stock outstanding (excluding treasury stock, thousands) (Note 2)	**888,631**	888,565	895,565	
Per share of common stock:	Yen			U.S. Dollars
Basic net income (Note 2)	**¥ 40.56**	¥ 38.72	¥ 28.76	**$ 0.43**
Cash dividends applicable to the year	**65.00**	60.00	50.00	**0.69**
Ratios:	%			
Return on equity (ROE)	**8.5**	8.9	7.1	
Return on assets (ROA)	**0.9**	0.9	0.7	
Equity ratio	**10.7**	10.9	10.0	

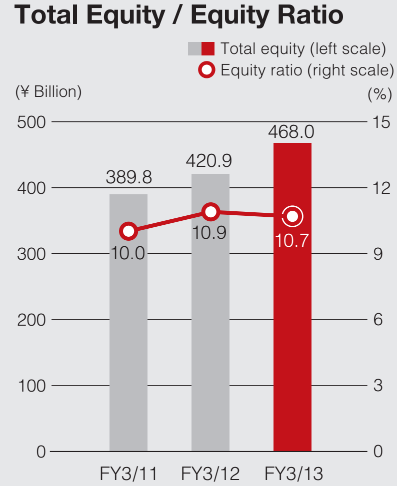
Gross Profit



Net Income



Total Equity / Equity Ratio



Notes: 1. The U.S. dollar amounts have been translated from the amounts stated in yen, solely for the convenience of readers, at the rate of ¥94=U.S.$1, the approximate exchange rate on March 31, 2013.
2. Share have been restated, as appropriate, to reflect a ten-for-one stock split effective April 1, 2013.

To Our Stakeholders

Tadashi Shiraishi
President & CEO

Ryuichi Murata
Chairman

Continuing to Meet Stakeholder Expectations through Sustainable Growth

In the fiscal year ended March 31, 2013, the Japanese economy began to show encouraging signs of recovery. Chief among these were the improvement in the export environment following the reversal of the yen's rising trend in the second half of the fiscal year, and the emergence of new demand in areas such as renewable energy. At the same time, an increasingly conspicuous feature among Japanese enterprises is the borderlessness of their business activity, which is no longer limited to their domestic market. This development arises from factors such as the globalization of the supply chain and changes in consumption patterns, and is particularly marked in the manufacturing industry.

Against this background, the Mitsubishi UFJ Lease & Finance Group progressed with the steady implementation of the range of measures and strategies set out in its Medium-Term Management Plan, ***Vision 2013***. These targeted our continued evolution as a comprehensive finance company that is responding to diverse customer needs by adapting swiftly and flexibly to changes in the business environment. As part of our growth strategy, in January 2013 we acquired the entire equity interest in the aircraft leasing company JSA International Holdings, L.P. in the global asset business to boost our presence in the aircraft leasing business, where growth in demand is forecast going forward. We also sought to put in place overseas bases to anticipate offshore business expansion by Japanese enterprises, as well as to diversify funding and enhance and develop global human resources. In addition, we focused actively on developing products and services with added value and providing functions beyond the finance sector.

The Group regards it as an important management issue to gain the full trust of all stakeholder groups: customers, business partners, shareholders, local communities, and employees. In addition to engaging vigorously in CSR activity through its business operations, it worked to enhance corporate governance and strengthen its compliance system.

During the fiscal year ended March 31, 2013, the ongoing downtrend in the Group's operating assets bottomed out and was reversed, one of a series of developments that have helped to create a foundation for future growth. Profits also expanded, with net income growing 4.0% year on year by ¥1.4 billion to ¥36.0 billion, setting a new profit record for two consecutive years.

In our dividend payout, we seek to recognize the consistent support received from shareholders, while remaining aware of the need to maintain a sufficient amount of equity. Accordingly, the annual dividend was set at ¥65 per share, an increase of ¥5 over the previous fiscal year and the 14th successive year of dividend increase.

As a comprehensive finance company responding at the global level to diverse corporate needs, we are committed to enhancing the range of functions we provide and expanding our business base as we target sustainable growth.

Ryuichi Murata
Chairman

Tadashi Shiraishi
President & CEO

Message from the CEO

Promoting Management Based on Corporate Social Responsibility

Progress of the Medium-Term Management Plan, *Vision 2013*

Under our Medium-Term Management Plan, ***Vision 2013***, launched in the fiscal year ended March 31, 2012, we have steadily implemented a wide range of measures and strategies to respond swiftly and flexibly to the changing environment and to achieve further dramatic advances in our development as a comprehensive finance company responding to diverse customer needs.

01 Opening up New Opportunities for Profit and New Business Domains as We Move Ahead with Our Growth Strategy

To expand our domain of activity in the business finance sector and secure opportunities for profit that will drive sustainable growth, we are pushing forward vigorously with the growth strategy outlined in our Medium-Term Management Plan. In line with this growth strategy, instead of tying ourselves to a limited range of domains and functions, by enhancing the functions we provide in the value chain and by taking a diverse range of asset and business risks, we have sought to expand the unique range of products and services that we provide. For example, in the leasing sector, which is our core business, we are working to expand our profit base and boost profitability by offering a wide range of functions that transcend the limits of the finance sector. As part of this, we are promoting operating leases, which allow for lease periods to be matched more closely to the customer's desired period of utilization and which enable lease payments to be reduced in response to future asset value (residual value). With the same aim, we are strengthening our advisory functions related to grants and subsidies for capital expenditure.

In the energy-saving and eco-related business, we are engaged in the rollout in Japan and overseas of our energy service company (ESCO) business, which offers packages for converting facilities with high energy consumption to energy-saving operation. We are also reinforcing initiatives in business areas related to solar power generation and other renewable energy sources, where demand has grown rapidly in recent years. In response to diverse needs in the solar power generation-related sector, we not only provide funding but also join in projects as a commercial operator and supply a wide range of other functions, working in this way to expand our business domains. For instance, we acted as a commercial operator to initiate a solar power generation project using land owned by Mitsubishi Materials Corporation, thereby establishing a business model that combines effective utilization of real estate resources with the promotion of renewable energy. Elsewhere, in a joint undertaking with Mitsubishi Corporation in Tahara City in Aichi Prefecture, we began operating a solar power generation project in the megawatt category that is one of Japan's largest. Initiatives in this sector are not limited to the domestic market but are also pursued actively overseas: in 2012, for example, we provided a project finance-type lease for a megawatt-class solar power generation project in Thailand. Going forward, we will continue expanding the scale of our business by drawing on our expertise and networks in the energy-saving and eco-related sector to respond to diverse needs.

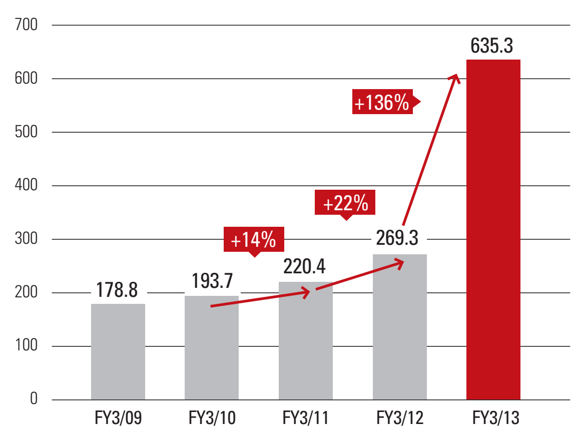
Solar power generation site

02 In Our International Business, We Are Working to Strengthen Our Systems While Ensuring Key Allocation of Human Resources, Upgrading Our Information Infrastructure, Expanding Products and Services, and Undertaking Other Improvements

As the supply chain globalizes, the shift to overseas capital expenditure is accelerating among Japanese enterprises. Anticipating this movement, we provide support in cases where a Japanese enterprise establishes or expands overseas operations, supplying expertise in the accounting and taxation systems of the relevant country or territory. Concurrently, drawing on alliances with partner companies and companies with a strong presence in the local market, we offer a variety of financial services including sales promotion support. In China, through a tie-up with a Japanese construction machinery manufacturer, we are actively rolling out vendor financing for construction machinery. In Indonesia, a nation with a population of about 240 million and rich natural resources that has achieved a remarkable rate of economic growth, we provide finely tuned support to meet the booming demand for funding among Japanese automobile manufacturers and other Japanese firms, and we also offer financial services to support the acquisition of the construction machinery needed to exploit resources. In Thailand, where many Japanese enterprises operate production bases, we are entering the Thai domestic market with autoleasing finance, eco-related finance, and numerous other value-added services that we already supply in Japan, responding actively to strong capital expenditure demand.

As part of our global asset business, in January 2013 we acquired the entire equity interest in JSA International Holdings, L.P. (JSA), an aircraft leasing company with its main base in the United States that has established a solid business foundation giving access to airline companies around the world. This brings to around 100 the total size of our Group's aircraft fleet. The JSA fleet consists mainly of narrow-body aircraft, which have a high degree of market liquidity, and have an average age of less than two years, representing an aircraft portfolio of high quality. The aircraft leasing takes place mainly in the form of sale and leaseback arrangements with airlines, which promises a price advantage for aircraft purchase and a stable cash flow. By merging the solid operational platform that JSA has built up in the aircraft leasing sector with our business base, we will create opportunities to boost our presence in the aircraft industry, where demand is forecast to grow, and to enhance the related functions we provide. Outside the aircraft sector, we will actively

Operating Assets of Consolidated Overseas Subsidiaries (¥ Billion)



target the global assets that we identify as having liquidity and value in the global market, such as aircraft engines, marine vessels, containers, and railroad freight cars.

To enhance the range of financing at the global level and provide stable services, we are also pressing ahead with diversification of our funding procurement, for example by issuing corporate bonds denominated in foreign currencies. Corporate bonds were issued in U.S. dollars in February 2013 and in Thai baht in March, establishing a flexible funding procurement system in anticipation of the expansion of our overseas business.

In the asset management business, we have begun operation in Thailand of the unique online asset management service ***e-Leasing Direct***, which we already provide in the Japanese domestic market. This service is available in many local currencies including the Japanese yen and the Thai baht. Going forward, we intend to introduce the service successively, starting with countries and territories where demand is highest. At the same time, the **e-Leasing Direct Platinum** service, which we developed in 2012, allows customers to perform one-stop management of all their assets based on an "asset life log," which shows all stages of the asset cycle from acquisition to replacement (disposal). The service is useful in a wide range of activities, including event management, cost calculation, and assessment of the optimal timing for asset replacement. In the future, we will continue to respond actively to increasingly sophisticated and diverse asset management needs.

03 Creating a Foundation for Sustainable Growth by Implementing a Strategy to Strengthen Our Management Base

As part of a strategy to strengthen our management base, we are seeking to apply more advanced business methods and have accordingly enhanced our business structure by setting up a new corporate unit known as the Strategic Solutions Department. Its task is to create frameworks that will enable us to provide a one-stop response to a wide variety of customers without limiting ourselves to specific products or functions.

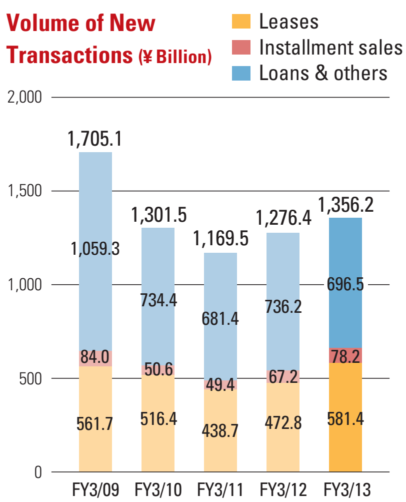
Meanwhile, to support overseas business growth, we have carried out system development and upgrading of human resources.

In the area of human resources, we are working to create an environment that will support a diverse workforce by putting in place programs that promote the recruitment of global staff overseas and by expanding training programs.

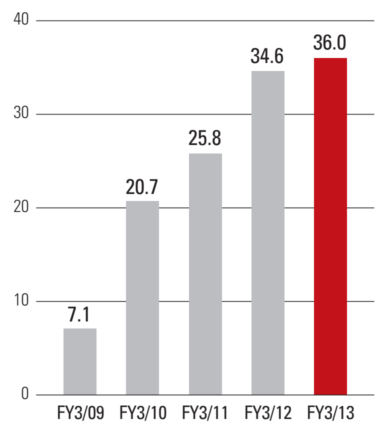
04 Results for the Fiscal Year Ended March 31, 2013

Despite the continuing low level of capital expenditure in Japan, we succeeded in stimulating demand by rolling out value-added services and worked aggressively to

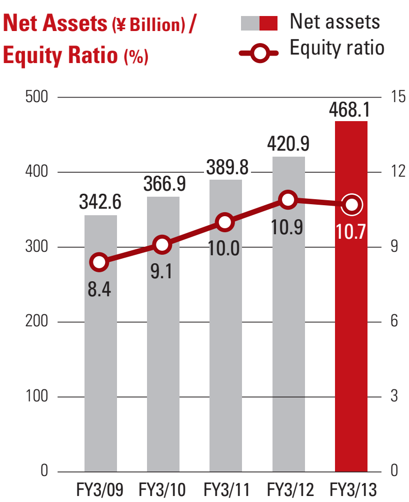
Volume of New Transactions (¥ Billion)



Net Income (¥ Billion)



Net Assets (¥ Billion) / Equity Ratio (%)



capture overseas demand. Thanks to these and other initiatives, the consolidated volume of new transactions increased by 6.3% year on year to ¥1,356.2 billion, returning to the ¥1,300.0 billion level that it had last reached three years earlier in the fiscal year ended March 31, 2010.

Although consolidated revenues showed a 3.7% year-on-year drop to ¥698.2 billion, a gain on the sale of a private equity business and other factors contributed to a 2.6% year-on-year rise in gross profit to ¥118.0 billion. Meanwhile, rigorous enforcement of credit control to minimize credit costs was the major factor in the achievement of a year-on-year reduction of ¥7.1 billion in total credit costs related to doubtful assets, which fell to ¥8.8 billion, boosting operating income to ¥60.0 billion.

Net income also rose, by 4.0% year on year to ¥36.0 billion, setting a new profit record for two consecutive years.

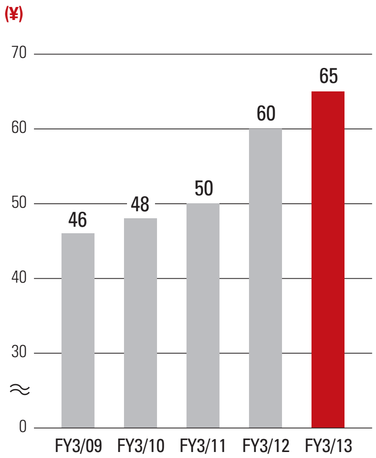
Total assets stood at ¥4,177.8 billion. This represented a rise of 13.5% over the previous fiscal year-end, attributable chiefly to the acquisition of the assets of the aircraft leasing company JSA International Holdings, L.P., which became a consolidated subsidiary in January 2013, and asset building through new transactions.

Total equity expanded by 11.2% from the previous fiscal year-end to ¥468.1 billion, due notably to the growth of net income. The equity ratio declined by 0.2 percentage point from the previous fiscal year-end to 10.7%.

Our dividend policy is based on the principle of making continuous and stable dividend payouts while taking care to strike an appropriate balance between shareholder return and the need to maintain an adequate amount of equity.

In the fiscal year ended March 31, 2013, in view of the fact that a new profit record had been set for net income as outlined above, and in recognition of the support of our valued shareholders, we increased the annual dividend per share by ¥5 from the previous fiscal year to ¥65, marking the 14th successive year of a dividend increase.

Cash Dividends per Share



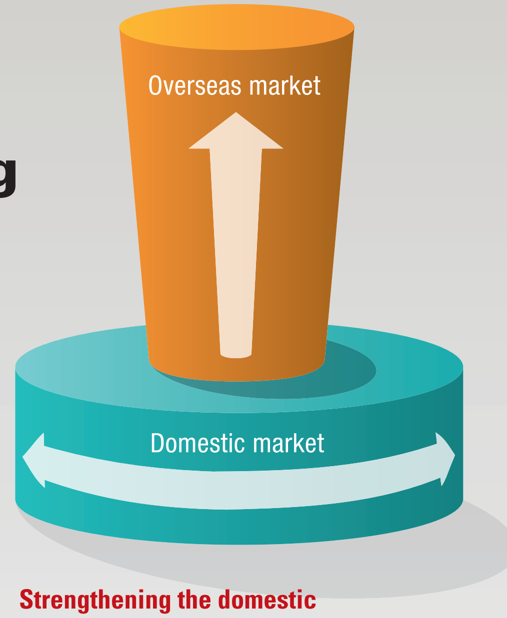
05 Future Initiatives

In a business environment that is developing at a dizzying pace, we believe that it is important to remain alert to signs of change and to adapt with all possible speed. As a comprehensive finance company leading the industry, we must attain an all-in-one combination of a number of qualities: the positivity to take on new business challenges; the pioneering spirit to adapt swiftly to change and lead it; the originality to fuse a range of different functions so as to create new solutions; and, on top of these, specialist ability in each of a diverse range of fields. Achieving this combination will give us the ability to provide solutions unique to our Group, enabling us to expand our business domains and enhance the functions we provide, thereby targeting sustainable growth and a further increase in corporate value.

Toward a Further Stage of Growth

Mitsubishi UFJ Lease & Finance seeks further growth by capturing domestic and overseas demand.

Mitsubishi UFJ Lease & Finance is pushing ahead with its Medium-Term Management Plan, ***Vision 2013*** (April 1, 2011 to March 31, 2014). This medium-term plan contains a number of strategies and measures that will enable us to make dramatic advances as one of Asia's leading comprehensive finance companies. Utilizing the experience, expertise and networks acquired in the domestic market, we are expanding our field of business activity to overseas markets. In the domestic market, equally, we are taking on the challenge of new business domains and sectors, developing high-value-added services that contribute to creating corporate value for customers. While seeking to offer services of value in global markets, we will continue to enhance our corporate value. Mitsubishi UFJ Lease & Finance is stepping up to a new stage of growth as a comprehensive finance company.



Strengthening the domestic market, which is our business base, also creates a base for expanding overseas operations.

Special Feature

Generating Corporate Value

Part 1 Service Evolution and Expansion of Business Domains and Business Areas

The Japanese economy has at last begun to show signs of picking up. The improved export environment created by the reversal of the yen's appreciation is one of the factors contributing to increased corporate activity, leading to heightened expectations of a full-scale recovery.

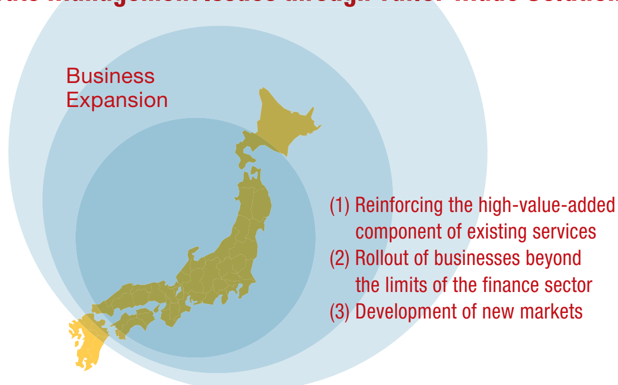
In addition, new businesses continue to spring up. Examples include solar power generation, fuel cells, and recycling in the energy sector, environment-conscious products in the eco-related sector, eco-vehicles in the next-generation mobility sector, and mobile communications in the information and telecommunications sector. These innovations raise the possibility of new businesses adapted to changes in the business environment. Moreover, to prevail amid the intensifying global competition, existing industries and enterprises have converted to a more robust structure by rationalizing their businesses.

With more than 40 years of experience in the corporate finance sector, Mitsubishi UFJ Lease & Finance is contributing to industrial development and creating new demand by offering a wide range of functions not limited to finance, to meet the diverse needs of the domestic market.

Mitsubishi UFJ Lease & Finance Business Activity in the Domestic Market

Dealing with Increasingly Sophisticated and Complex Corporate Management Issues through Tailor-Made Solutions

To realize sustainable growth, it is essential that we exploit the domestic market more deeply. However, in modern Japan with its increasingly mature market, only limited business expansion can be achieved by offering traditional services to our existing customers. Mitsubishi UFJ Lease & Finance is therefore reinforcing three areas: (1) the high-value-added component of existing services, (2) rollout of business beyond the limits of the finance sector, and (3) development of new markets. At the same time, these activities, which originated in Japan, are being expanded to overseas markets.

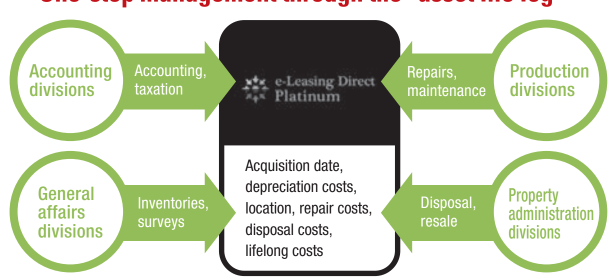


01 Reinforcing the High-Value-Added Component of Existing Services

Start of the New-Concept Asset Management Service e-Leasing Direct Platinum

Mitsubishi UFJ Lease & Finance continually engages in the development of new products and services. At the same time, we seek to improve the added value of services and to stabilize profitability by upgrading and expanding the sophistication of existing products and services. One example of such activity is **e-Leasing Direct Platinum**, which we launched in October 2012. To date, we have provided more than 6,000 customers with the unique asset management service ***e-Leasing Direct***, which offers them a one-stop online service for an entire range of leasing procedures including requesting and viewing estimates as well as completing lease contracts and expiration. The newly launched service **e-Leasing Direct Platinum** is an asset management platform based on a new concept that manages all relevant information for the entire asset life cycle–the "asset life log"–not only for machinery and equipment acquired under lease arrangements but for all assets held by the customer. Using **e-Leasing Direct Platinum** makes it possible for the customer to carry out integrated management of information on the assets held by each division, and to realize effective utilization of management resources on a company-wide basis and optimization of decision-making on capital expenditure.

One-stop management through the "asset life log"



Helping customers to optimize on a global basis by promoting "visualization" of overseas assets

To achieve business optimization at the global level, an increasing number of Japanese enterprises are choosing emerging countries and other overseas locations to establish new production sites or relocate existing ones. However, establishing a cross-border asset management system is complicated and time-consuming. To resolve the management issues of enterprises with overseas operations, Mitsubishi UFJ Lease & Finance has developed English-language versions of ***e-Leasing Direct*** and **e-Leasing Direct Platinum**, which are adapted to major overseas currencies. These services are offered globally and make it possible to "visualize" asset information both in Japan and overseas.

02

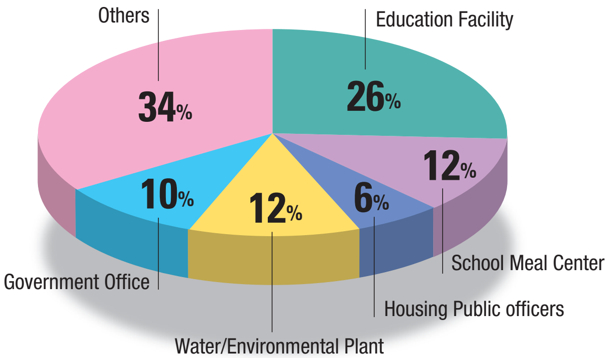
Rollout of Business beyond the Limits of the Finance Sector

Leading Performance in the Private Finance Initiative (PFI) Business

In line with the increased convergence of financial services and commercial business in the field of corporate finance, Mitsubishi UFJ Lease & Finance has evolved as a comprehensive finance company that brings together assets such as goods, services, information and funds. This range of activities beyond its core competency of leasing is leading to the creation of new markets and success for new businesses.

A successful example of where we have used our outstanding foresight to identify a business opportunity and raise it from a seed to a full-scale operation is the pioneer activities in the PFI sector. PFI is a business approach in which private-sector funds and managerial expertise are used to develop social capital. Today, with Japan facing a pressing need to replace aging public infrastructure, there are high expectations for PFI projects, which concentrate private-sector expertise. For these PFI projects, we not only offer the full range of loans, leases and other financing functions but also build overall project structures and coordinates operations as the consortium leader or a consortium member. As of March 31, 2013, the number of PFI contracts won totaled 50, which is one of the highest figures for any PFI participant. Building on the experience and expertise gained through this business, we will continue to accurately meet demand in this sector.

Type of Facilities for Which MUL Received Orders in the PFI Business



03

Development of New Markets (Renewable Energy-Related Businesses, etc.)

Participation in a Series of Large-Scale Projects Including Megawatt Solar Power Projects

Mitsubishi UFJ Lease & Finance has developed a diverse range of businesses to support corporate environmental activities in areas such as carbon offset services, the ESCO business, Green Lease and eco-related finance, contributing in this way to protecting the global environment and preventing global warming. One related area on which we are currently focusing is to meet demand in renewable energy-related businesses.

Renewable energy refers to sources of energy that are replenished naturally such as solar light and solar thermal, wind power, geothermal, biomass and others. In a document released in February 2012, the Agency for Natural Resources and Energy, part of Japan's Ministry of Economy, Trade and Industry, estimated that solar power generation, which in 2010 accounted for a mere 0.2% of Japan's total electricity generation, would provide 5.6% in 2030, and that wind power, only 0.4% in 2010, would grow to 1.7% of the total in 2030. Attention is focused on so-called "mega" solar power generation–projects with a generating capacity of one megawatt or more–and there is an increasing number of cases in which general enterprises and local governments build and operate their own solar power facilities. Keeping close watch on current social trends and markets, we are working to expand the functions we offer in this sector by providing project finance for renewable energy generating or undertaking projects ourselves.

Construction site of the megawatt-class solar power generation plant (Thailand)

Contract for project finance type lease for the "mega" solar power project in Thailand

In Thailand, which continues to experience rapid economic growth, the development and utilization of renewable energy in preparation for a future increase in electric power consumption is one business area where the country has focused its efforts. One of these efforts is a solar power generation plant in Thailand's northeastern Khon Kaen Province, with a maximum generating capacity of 2.0 megawatts, on which construction began in October 2012. For this project, we provide project finance type leasing to cover the installation of all the electric power generation facilities. The lease term is eight years. Plans call for collection of the lease payments from the income generated by the operation of the plant.

Generating Corporate Value

Constructing solid business bases in the world market and aiming to be one of Asia's leading comprehensive finance companies

We aim to be one of Asia's leading comprehensive finance companies. The world economy is characterized by two increasing trends: global integration, which means that information, funds and products move around the world unimpeded by national borders; and the emergence of a multipolar economy, as the growing importance of emerging economies and resource-rich countries challenges the dominance of the developed countries. Amid these great movements in the modern era, for Mitsubishi UFJ Lease & Finance to continue sustainable growth, it is essential for us to take steps to expand our business base at the global level as well as in our domestic market. Based on the wealth of financial knowledge accumulated in our domestic operations and our ability to develop products and services, we will expand the reach of our activities to embrace the globe, and especially Asia, as we evolve into one of Asia's leading comprehensive finance companies.

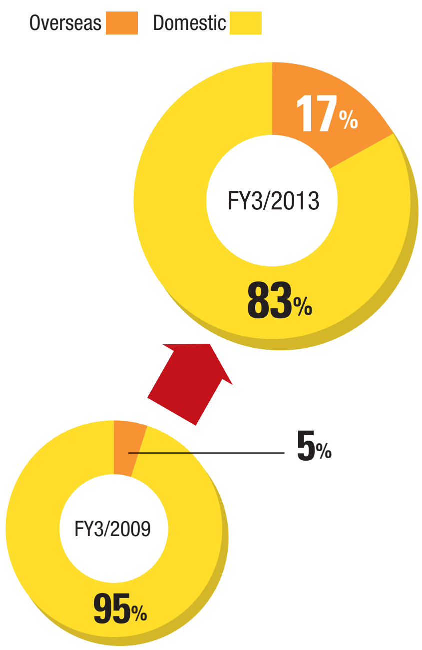
Strong Growth in the Global Market China and ASEAN Countries Continue to Drive the World Economy in 2013

The situation in the world economy remains unstable, particularly with the outstanding concerns over the reemergence of sovereign debt risk in Europe, but growth continues against a background of rapid economic development in Asian countries. The Japanese economy likewise has begun to show signs of recovery, albeit gradual, as seen in the improved export climate following the reversal of the yen's appreciation and the accompanying improvement in business sentiment.

China, which has grown into the world's second-largest economy in terms of GDP, posted an effective GDP growth rate of 7.8% in 2012 and continues to grow strongly, albeit less vigorously than in earlier years. With a growth rate of 6.2% in four of the ASEAN nations (Indonesia, Malaysia, Thailand and the Philippines), and 5.0% in Vietnam, robust economic development continues in this region, which is reaping the benefit of low-cost labor and expanding domestic demand due to growing working populations.

Our Medium-Term Management Plan, ***Vision 2013***, which we are currently implementing, sets forth a variety of policies and measures designed to accelerate business development at the global level. We have identified Asia as a strategic and key region, and we will provide the solutions that only a comprehensive finance company can offer to meet the expanding capital expenditure needs and funding needs of customers.

Overseas Operating Assets as a Percentage of Consolidated Operating Assets

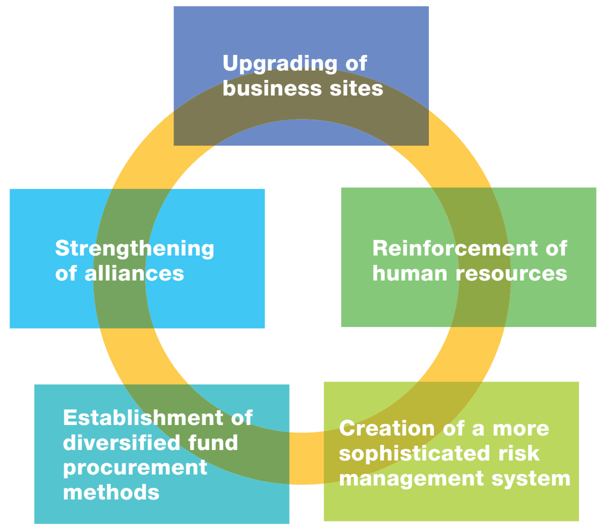


Part 2 Establishment of a Firm Position at the Global Level

Creating a Management Base to Support Overseas Business

To support the steady evolution of our global business, it is important to build a business structure that takes account of important factors, such as overseas market trends and the increasingly globalized supply chain, and that is founded on a comprehensive lineup of products and services and other strengths.

Based on this approach, Mitsubishi UFJ Lease & Finance has worked overseas to establish and upgrade its business implementation base. Focusing especially on the Asian region, which continues to enjoy a high growth rate, we have successively enhanced the functions of our overseas business bases, working to strengthen external alliances and build extensive global networks. To develop an ample supply of personnel to carry out overseas business operations in the future, we have targeted human resource development. Additionally, to support the development of overseas business, we have strengthened our risk management system and diversified funding methods including foreign currencies.



01 Enhancing Our Business Bases

In 1973, shortly after its establishment, Mitsubishi UFJ Lease & Finance opened its first overseas business site in Hong Kong, now Mitsubishi UFJ Lease & Finance (Hong Kong) Limited. Since then, we have put in place an overseas sales network with the aim of establishing a global business structure. Currently, we operate a total of 12 business bases in seven countries worldwide, mainly in Europe, North America and Asia, and offer a wide range of solutions in the field of capital expenditure and funding, not only to Japanese enterprises with overseas operations but also to local enterprises in the host country. We are also moving forward with overseas rollout of services provided in Japan. In May 2012, our consolidated subsidiary U-Machine Inc., which trades in used machinery, established a local subsidiary in Thailand (Bangkok).

To achieve network expansion and enhanced functions, we are also working to create alliances with partner enterprises in Japan and overseas and with enterprises that have a strong presence in local markets. For example, in our Chinese business development, we have joined with Mitsubishi Corporation to establish a company that provides a vendor financing service for construction machinery, while in Taiwan we have linked up with the country's largest lease company, Chailease Holding Limited, to respond to the financial needs of local enterprises. Meanwhile, in Thailand, besides building extensive networks through collaboration with major local banks, we are engaged in a joint environmental program with the International Finance Corporation (IFC) to support local enterprises in eco-related projects. In a wide range of other sectors, by establishing firm relationships with local partners, we are working to expand the functions we provide at the global level.

Examples:

- Alliance with Chailease Holding Limited
- Business alliance between our Group company M-CAST, Inc. and Block Imaging International, INC., a major U.S. trading company dealing in used medical equipment
- Launch of an environmental program initiated jointly with International Finance Corporation to support eco-related investment in Thailand

Worldwide network of business bases and alliances in Japan and overseas with high-powered partners and local enterprises–these are twin elements of the multi-tiered operational system that supports our global business.

Promoting Management

02 Developing and Strengthening Human Resources for Global Business Implementation

Mitsubishi UFJ Lease & Finance is working to develop human resources capable of acting in global markets and thereby support the growth of overseas business going forward. Besides actively recruiting personnel from outside who, in addition to language skills, are familiar with international finance and accounting and special asset operations, we target human resource development by designing educational programs tailored separately to new recruits, core staff, management and other employee grades. In May 2011, we set up the Diversity Promotion Office, which works to create a supportive environment for human resource diversity in terms of nationality, gender, previous career background and other characteristics. This is designed to promote improved competitiveness across the Group and a vibrant corporate culture.

03 Diversification of Funding

To promote dynamic development in our international business and global asset business, stable capital procurement in foreign currencies is essential. As of March 31, 2013, the share of overseas operating assets in our consolidated operating assets is 17%, and securing liquidity in foreign currencies is therefore a significant task as we seek to grow globally. Following the issuance of renminbi-denominated unsecured straight bonds in 2011 and 2012, the Mitsubishi UFJ Lease & Finance Group issued its first U.S. dollar-denominated unsecured straight bonds in February 2013 and its first Thai baht-denominated unsecured straight bonds in March 2013. While taking steps to restrict interest rate and exchange rate fluctuation risk through asset liability management (ALM), we aim to spur further development by actively investing procured funds in the key sectors of international business and the global asset business.

Close up

Aircraft Leasing Company JSA International Holdings, L.P., Becomes a Member of the Mitsubishi UFJ Lease & Finance Group

In January 2013, Mitsubishi UFJ Lease & Finance acquired all the equity interest in JSA International Holdings, L.P., an aircraft leasing company that as a group owns around 80 aircraft. JSA International Holdings, L.P., holds high-quality aircraft assets manufactured in recent years, most of which are narrow-body aircraft with broad utility. The company management team has expertise and advanced knowledge of aircraft and the aircraft industry and has established a solid operational platform at sites accessible to airlines in countries around the world.

Against a background of growing passenger volume in the emerging economies and the rise of low-cost carriers, the aircraft leasing industry is achieving remarkable growth. We will enhance provisioning capabilities in the aircraft leasing business by utilizing the management resources of JSA International Holdings, L.P., and will aim at further development in the asset finance sector.

Corporate Governance

At Mitsubishi UFJ Lease & Finance, we recognize that enterprises have a social responsibility to conduct their business in a sound and highly transparent manner. We work accordingly to enhance the level of our corporate governance, for instance, by strengthening the Board of Directors and upgrading the internal audit system.

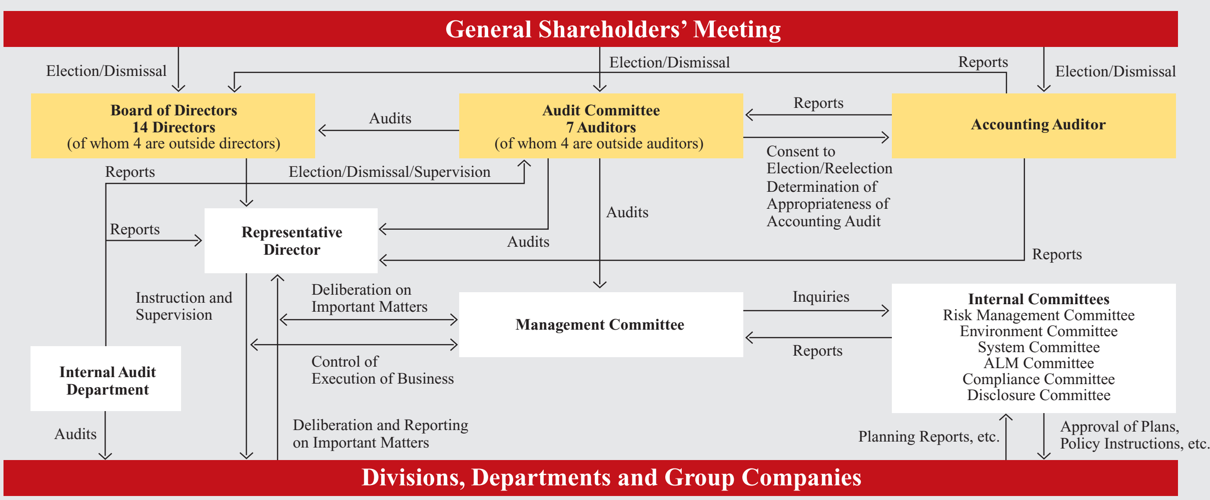
Corporate Governance Structure

We work to improve the transparency and soundness of its business by strengthening corporate governance.

We have a team of 14 directors, of whom four are outside directors. In addition to meeting regularly, the Board of Directors can be convened on an ad hoc basis to facilitate swift and appropriate decision-making. We have also introduced an executive officer system, establishing a clear separation of management decision-making and oversight functions from business execution functions.

The Board of Corporate Auditors, which oversees the business execution of the Board of Directors, consists of seven corporate auditors, four of whom are outside corporate auditors. The corporate auditors work closely with the accounting auditor, internal audit departments, and other entities as necessary to ensure appropriateness and soundness in business execution by the directors.

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

At Mitsubishi UFJ Lease & Finance, as a basis for building a relationship of trust with stakeholders, we work to maintain full compliance and are proceeding with development of an internal control system to guarantee the appropriate conduct of operations.

Compliance System

With the growing importance of compliance, we regard the strengthening of the compliance system as an important management issue. A meeting of the Compliance Committee takes place every three months to inspect and audit compliance status and check the level of implementation of relevant measures. In addition, an officer with company-wide coordinating responsibility is appointed in the form of the Chief Compliance Officer (whose role is filled by the executive officer in charge of the Legal & Compliance Department), and provides compliance-related support, instruction, and training to each corporate department and branch. The implementation of these activities is verified regularly by the Internal Audit Department to increase the practical effectiveness of the compliance system.

Meanwhile, to guard against all eventualities, we formulate a Compliance Risk Map that identifies the risks involved in our business operations and analyzes their potential frequency and degree of impact. This is useful in detecting, managing, and avoiding risk, and in ensuring an appropriate response in the event that a risk arises.

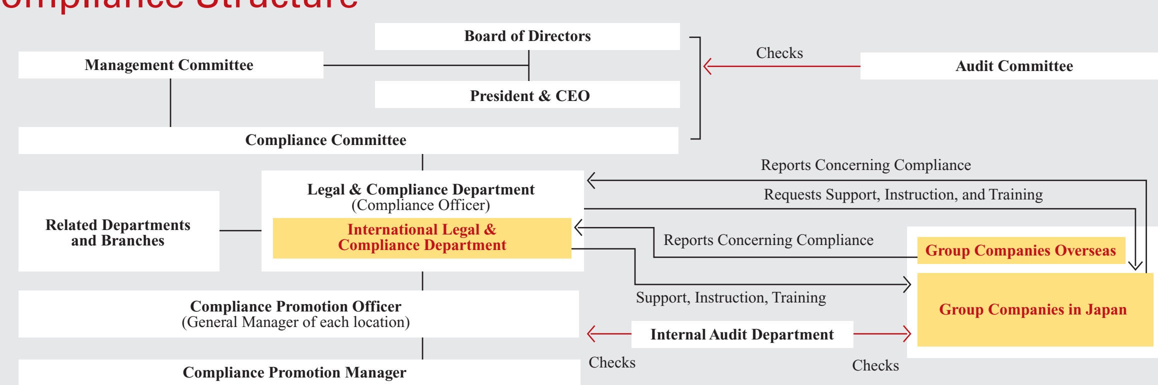
Action on the Internal Control System

Mitsubishi UFJ Lease & Finance works to enhance and ensure the appropriate operation of its internal control system. In addition to efficient and appropriate execution of operations related to financial reporting (preparation and submission of the Securities Report), we review and expand the range of operations covered by the system's evaluations, bringing within its scope new businesses and Group companies in Japan and overseas each fiscal year.

The Accounting Department, which is responsible for coordinating internal control, collects reports on internal control implementation status from all branches, departments, and Group companies under its supervision. The content of these reports is submitted to the Internal Audit Department, which then, on a quarterly basis, presents an internal control implementation plan and a report evaluating the effectiveness of internal controls to the Disclosure Committee. These documents are also submitted to the accounting auditor.

Employees are also the subject of various initiatives to ensure that they act in accordance with the internal control system, including distribution of the Internal Controls Handbook.

Compliance Structure



Improving Compliance Awareness

To strengthen the compliance system, it is essential to raise the awareness of each individual employee. At Mitsubishi UFJ Lease & Finance, we carry out regular training for newly appointed managerial staff, new recruits, and all other staff grades to promote greater compliance awareness.

Each branch or department also appoints a Compliance Promotion Officer, who attends the company-wide Compliance Promotion Officer Training held each year. Participants in this training course reconfirm their knowledge of insider trading regulations and are kept up to speed with other key compliance-related themes such as compliance with the Money Lending Business Act and related legislation. Compliance Promotion Officers keep the other staff of their branch or department fully informed of the training content. Together with other measures, this ensures that compliance is implemented and promoted company-wide.

To improve compliance awareness, it is also important to create a workplace with a positive atmosphere. Because attitudes and behavior within the workplace are the key to this, training is given to the general manager of each branch or department, who serves as its Compliance Promotion Manager. In addition, ongoing initiatives to improve communication within the workplace are rolled out.

To make these initiatives more practically effective, employees carry out a compliance self-check every three months through e-learning. In the case of certain operations, the Legal & Compliance Department visits individual branches and departments to check the status of business operations.

Legal Study Meetings

We hold Legal Study Meetings aimed mainly at junior sales staff.

Ahead of the revision to the Act on the Prevention of Transfer of Criminal Proceeds, which came into force in April 2013, study meetings were organized in advance for all employees, with particular focus on sales operations. To supplement the regularly scheduled study meetings, additional meetings are organized in rapid response to the revision of a law or at other appropriate times as part of measures to ensure that the updated information is disseminated company-wide.

Legal Study Meeting

International Financial Reporting Standards (IFRS)

Currently, the International Accounting Standards Board (IASB) is engaged in a revision of the International Financial Reporting Standards (IFRS) that will also affect lease accounting. As a core member of the Japan Leasing Association, Mitsubishi UFJ Lease & Finance has taken part in panel discussions organized by Keidanren (the Japan Business Federation) and in direct discussions with the IASB. We also supplied speakers to a seminar on the subject of leasing that was organized by the Japan Foundation for Accounting Education and Learning. This formed part of continuing efforts to project into the public sphere a range of opinions and information relating to the revision of IFRS lease accounting.

Risk Management

Mitsubishi UFJ Lease & Finance works to strengthen the risk management system to minimize the impact on business operations in the event of an accident or other risk scenario and takes measures to ensure appropriate management of all categories of information including personal information.

Group Management

The Mitsubishi UFJ Lease & Finance Group is working to strengthen Group management with the aim of achieving Group-wide optimization of its business. We are also working to create a shared awareness of internal control and compliance. Group employees share a basic set of values and an ethical perspective rooted in the Group's Code of Ethics and Code of Behavior. The policies set out in the Code of Ethics and Code of Behavior and elsewhere are summarized in a single volume in our Compliance Manual, which is distributed to all Group employees.

There is also a rich range of initiatives rolled out horizontally across Group companies. These include the holding of individual study meetings and Group seminars on the themes of accounting standards, information security, and internal audit, which are an opportunity to share the different expertise and information that each company holds and to undertake frank exchange of opinions on relevant issues. These and other activities are designed to improve management across the entire Group.

Risk Management System

Natural or manmade disasters, accidents, disruptions, and similar events can inflict enormous damage on business operations. To minimize the impact on operations of such an event, Mitsubishi UFJ Lease & Finance has formulated risk management rules, contingency plans, and response manuals and made other provisions that set out a clear response strategy in advance. In the event of a risk scenario or disaster, a unit to lead the response is selected based on the circumstances and a system of division of tasks functions among corporate units, creating a system capable of immediate response. Concurrently, applying lessons learned from the Great East Japan Earthquake, we have put in place a practically oriented business continuity plan (BCP) and carry out related drills to boost the practical effectiveness of the risk management system.

Compliance Manual

Group seminar for employees of Group company legal departments

DBJ BCM Rating Acquired

Mitsubishi UFJ Lease & Finance has become the first company in the financial industry to acquire the DBJ BCM rating from the Development Bank of Japan (DBJ). The DBJ BCM rating is awarded to selected companies that take outstanding initiatives in the area of disaster prevention and business continuity. This highest-level rating was awarded to us for the content of our disaster prevention plan and for our creation of a business continuity system based on a disaster scenario. These form part of a range of initiatives designed to ensure the safe and reliable delivery of customer services.

In April 2013, we received a loan from DBJ based on the BCM rating, which rated our company as having particularly outstanding initiatives in the area of business continuity.

Action on Information Security

Mitsubishi UFJ Lease & Finance works to strengthen its information security management system and personal information protection.

Among other provisions, our information security protection rules and information security manual set out our basic policy on information security (security policy), as well as a system for categorizing the degree of importance of information assets, rules for the use, management, and disposal of information, standards for safety measures, and a management system covering the whole corporate organization. We are also implementing other measures including a system for preventing misdirection of e-mails, tools to manage printed material and recording media, and reinforced security protection for websites used by customers. In the area of personal information protection, we have set out a personal information protection policy, which is published on our website, and laid down a set of personal information protection rules that regulate methods for obtaining and managing information, thus ensuring appropriate handling of data in accordance with laws and regulations. We also provide a personal information protection manual for employee education purposes.

To supplement the above measures, all employees, including temporary staff, are subject to an e-learning-based information security checkup and an information security audit four times a year.

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.

"Business Link *Shobai Hanjo*"

We participated as one of the organizers in the business matching event "Business Link ***Shobai Hanjo***", which was held in February 2013 at the Makuhari Messe near Tokyo. This event, whose main sponsor is the Mitsubishi UFJ Financial Group, was held in 2013 for the 10th time. Under the slogan "Around the World with Japanese Knowledge and Expertise," the venue was divided into the two thematic areas of "global" and "manufacturing." The 2013 event attracted a record number of around 2,700 participating companies.

Operating two booths, we offered an exhibition including presentations on our eco-related business in the field of solar power generation and on our business in supporting corporate overseas expansion. This resulted in a large number of customer consultations.

Implementation of PPPs and PFIs

A private finance initiative (PFI) is an approach that realizes high-quality public services in an efficient manner by utilizing private-sector funds and expertise at stages from facility construction to maintenance and operation. The Act on Promotion of the Development of Public Facilities Using Private-Sector Funds (the PFI Law), which was revised in 2011, provides for an expansion of eligible projects and other changes, highlighting PFIs as an approach for renewing aging social infrastructure.

Since the time PFIs were first pioneered in Japan, Mitsubishi UFJ Lease & Finance has focused on them and achieved a track record of 50 project contracts won, in 15 of which it acted as consortium leader performing overall project coordination (as of March 31, 2013). To promote initiatives in the field of PFIs, where growth in demand is forecast, and in public private partnerships (PPPs), which aim to achieve a more wide-ranging alliance between the public and private sectors, we have set up a dedicated unit, the Public Private Partnership Business Department. Through this and other measures, we are actively involved in the renewal of the social infrastructure in a way that also strengthens our sales structure.

Totsuka Ward Office in Yokohama City

Exterior

Inside the ward office

Biodiversity Guidelines

To contribute to reducing the global environmental burden and protecting biodiversity, Mitsubishi UFJ Lease & Finance has formulated a set of Biodiversity Guidelines.

These guidelines aim to set clear goals for initiatives related to both office work and business activities, including application of the 3Rs (reduce, reuse, recycle) to assets whose lease has expired as well as used equipment trading business, and ensure that the goals are steadily realized. As part of this latter set of initiatives, in accordance with the guidelines, we are promoting preferential use of paper approved by the Forest Stewardship Council, which helps preserve forest ecosystems, reduced use of photocopies, paper, and electric power, green procurement, eco-friendly driving, and other initiatives.

3Rs (Reduce, Reuse, Recycle)

Reduce	Reuse	Recycle
Reduction of waste by extending period of asset use through re-leasing or resale	Reuse through re-leasing, trading of used equipment, etc.	Recycling as raw material

Carbon Offset

In recent years, carbon offset has attracted attention as a strategy to counter global warming. Carbon offset is an arrangement whereby companies quantify the CO_2 emissions generated by their activities and use emission credits or other instruments to “offset” emissions that cannot be addressed through reduction initiatives alone. Mitsubishi UFJ Lease & Finance offers a wide range of services relating to carbon offset.

Through our Offset Partner Service, we present a carbon offset plan to optimally match customer requirements, providing comprehensive support in a range of activities, from the development of credit-linked products and organization of events to acquisition, management, and other procedures related to credits for CO_2 emissions offset. In addition, we are rolling out the Carbon Natural Lease and other instruments that include an offset for the CO_2 emissions generated by the utilization of the leased asset. To promote the further spread of carbon offset, in May 2012 we organized our second Carbon Offset Seminar, which attracted many participants including both existing customers and first-time attendees. The speakers, who were invited not only from the Ministry of the Environment and local governments but also enterprises in a wide range of industries, presented examples from their own experience of carbon offset initiatives and spoke on the latest trends among national and local governments and other subjects. Among the comments received from participants were that “the use of concrete examples in the presentations made them easy to follow” and that the seminar “brought home more strongly the necessity and the usefulness of carbon offset.”

Second Carbon Offset Seminar

Renewable Energy Initiatives

Renewable energy, which includes solar light, wind power, and hydropower, is a source of electricity that involves low environmental burden and that does not deplete resources. It is seen as having the potential to make major contributions in the future, for example in improving Japan’s energy self-sufficiency rate and countering global warming. We are actively promoting renewable energy-related businesses. One example of this is a solar power electricity generation project being carried out jointly with Mitsubishi Materials Corporation, on which work started in April 2013 (with the start of operation planned for January 2014 or later). All the electric power generated will be sold on to local electric power providers.

Further initiatives in the field of renewable energy include solar power generation projects using the roof of rental apartment blocks and participation in a planned project in Tahara City, Aichi Prefecture, to build a solar power generation facility in the megawatt category that will be one of Japan’s largest. Through these projects, we are committed to ongoing contributions to the protection of the global environment and the alleviation of energy problems.

Site for construction of a megawatt-class solar power facility (Tahara City, Aichi Prefecture)

Solar power generation project using the roof of a rental apartment block

Board of Directors, Corporate Auditors and Executive Officers (as of June 27, 2013)

Board of Directors

Chairman	**Ryuichi Murata**
President & CEO	**Tadashi Shiraishi***
Managing Director	**Kazuo Seki***
	Koichi Sakamoto*
	Taichi Ito*
	Nobuyoshi Ishii*
	Osamu Miki*
	Kiyoshi Tada*
	Hideki Kobayakawa*
	Tsuyoshi Nonoguchi*
Director	**Teruyuki Minoura** Senior Advisor to the Board of Toyota Boshoku Corporation
	Eiichi Tanabe Executive Vice President of Mitsubishi Corporation Group CEO, Industrial Finance, Logistics & Development Group
	Hajime Inomata President of Meiji Yasuda Life Foundation of Health and Welfare
	Takami Matsubayashi Executive Vice-President of Nagoya Railroad Co., Ltd.

Notes: 1. * indicates concurrent posts of director and executive officer.
2. Messrs. Teruyuki Minoura, Eiichi Tanabe, Hajime Inomata and Takami Matsubayashi are outside directors as defined in Article 2, Item 15 of the Corporation Act.

Corporate Auditors

Corporate Auditor	**Masashi Oonuki**
	Naoto Okamoto
	Keiji Funahashi
	Tatsunori Imagawa Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
	Shoji Tokumitsu Chairman of the Board of Chukyo TV Broadcasting Co., Ltd.
	Shinichiro Hayakawa Professor of The University of Tokyo, Graduate School of Arts and Sciences
	Shigeru Tsuburaya President of Mitsubishi UFJ Real Estate Services Co., Ltd.

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

Executive Officers

Managing Executive Officer	**Hiroyuki Kimijima**
	Kaoru Matsumoto
	Tatsuhisa Takahashi
	Naoki Sato
	Tetsuo Kasuya
	Akira Hane
	Yoshitoshi Kuzuya
	Yuzuru Suzuki
Executive Officer	**Shinichi Hongo**
	Kunihiko Sato
	Hiroto Yamashita
	Yoshiaki Yamamoto
	Takeo Kudo
	Takatoshi Haruna
	Naohito Suzuki
	Masaki Komoro
	Kazuhide Yamauchi
	Hiroshi Mii
	Kazuo Shibayama

Note: Excluding executive officers concurrently serving as directors (nine people).

Financial Information

Management's Discussion and Analysis

Business Results

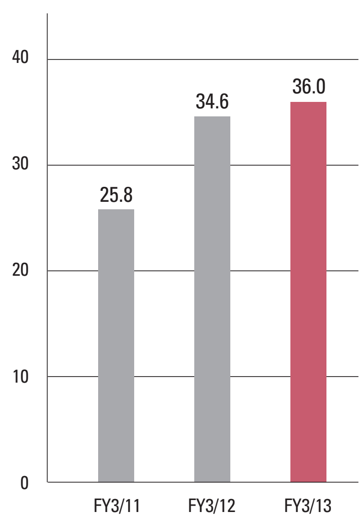
During the fiscal year ended March 31, 2013, expectations grew concerning a recovery in the Japanese domestic economy. However, in response to concerns over a slowdown in the world economy and other issues, a continuing cautious attitude to private-sector capital expenditure was apparent, which contributed to an overall somewhat slack performance. Against this background, Mitsubishi UFJ Lease & Finance steered the course charted in its Medium-Term Management Plan, ***Vision 2013***, expanding its functions in the value chain, promoting business development at the global level, and steadily implementing the other strategies and measures set out in the plan.

On the sales front, by providing diverse value-added products and services not limited to financial functions, we responded energetically to the capital expenditure needs of customer enterprises. As a result, the volume of new transactions in the fiscal year ended March 31, 2013 grew by 6.3% from the previous fiscal year to ¥1,356.2 billion. By segment, the volume of new transactions increased year on year by 23.0% in the leasing business to ¥581.4 billion and by 16.3% in the installment sales business to ¥78.2 billion. However, it decreased by 2.9% in the loans business to ¥674.4 billion and by 47.0% in other businesses to ¥22.0 billion.

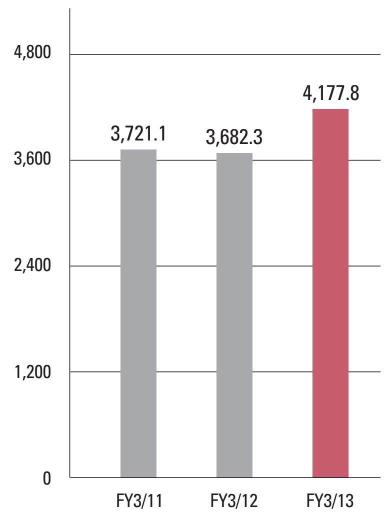
In terms of our consolidated business performance for the fiscal year under review, revenues registered a 3.7% year-on-year decrease of ¥26.4 billion to ¥698.2 billion, while gross profit increased by ¥3.0 billion or 2.6% to ¥118.0 billion. Selling, general and administrative expenses showed a 6.3% drop of ¥3.9 billion to ¥58.0 billion, as a result of which operating income for the fiscal year expanded by ¥6.8 billion or 12.8% to ¥60.0 billion.

Consolidated net income for the fiscal year ended March 31, 2013, increased by ¥1.3 billion or 4.0% to ¥36.0 billion, setting a new profit record for the second consecutive year.

Net Income (¥ Billion)



Total Assets (¥ Billion)



Financial Position

Total assets as of March 31, 2013, stood at ¥4,177.8 billion, an increase of ¥495.4 billion from the previous fiscal year-end. A major factor in this was the acquisition in January 2013 of the entire equity interest in the aircraft leasing company JSA International Holdings, L.P., which thereby came within the scope of consolidation. Total equity increased by ¥47.1 billion to ¥468.1 billion, due among other things to the growth in net income. The equity ratio declined by 0.2 percentage point to 10.7%. The balance of interest-bearing debt rose by ¥421.8 billion to ¥3,315.2 billion.

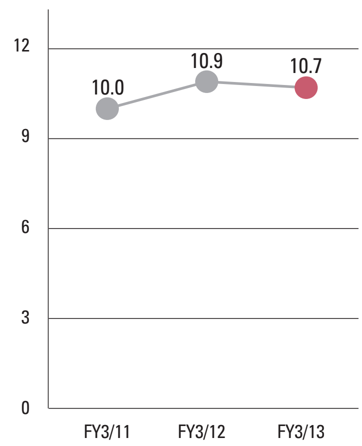
The main items in cash flows from operating activities were inflows of ¥62.4 billion in income before income taxes and minority interests and ¥86.7 billion in non-cash expenses relating to leased assets, specifically depreciation and amortization, and disposal and sale of leased assets. Outflows included ¥136.8 billion used for purchases of leased assets, ¥48.9 billion used for increase in lease receivables and investments in leases, and ¥40.5 billion used for increase in loan receivables. After allowing for these and other movements, the result was a net cash outflow of ¥63.4 billion, compared with a net inflow of ¥87.9 billion in the previous fiscal year.

Investing activities used net cash of ¥102.4 billion, compared with ¥7.6 billion in the previous fiscal year. Sales and redemption of investment securities provided ¥7.4 billion, which was counterbalanced by ¥103.1 billion used for the acquisition of newly consolidated subsidiaries, ¥3.3 billion used for the purchases of property and equipment, and ¥3.3 billion used for purchases of investment securities.

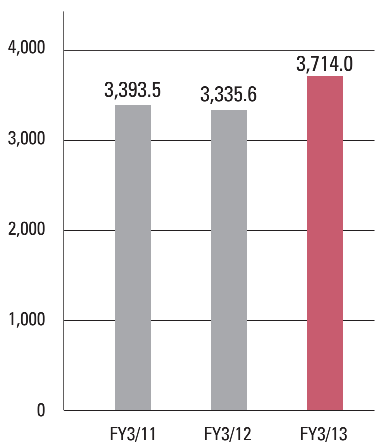
Financing activities provided net cash of ¥183.6 billion, compared to net cash used of ¥68.6 billion in the previous year. Indirect financing such as bank loans provided ¥30.6 billion and direct financing ¥159.2 billion, while the main outflow was the ¥5.8 billion used for payment of cash dividends.

As a result of these movements, cash and cash equivalents as of March 31, 2013 stood at ¥73.0 billion, an increase of ¥21.1 billion or 40.9% from the previous fiscal year-end.

Equity Ratio (%)



Operating Assets (¥ Billion)



Business and Related Risks

The Mitsubishi UFJ Lease & Finance Group engages in business activities mainly in the field of leases, installment sales, and finance. Its main areas of risk include credit risk (delinquency and insolvency of a counterparty) and interest rate fluctuation risk.

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

Statements relating to the future contained herein are based on judgments made by the Group as of the end of the consolidated fiscal year ended March 31, 2013 and may differ from actual outcomes due to changes in the external environment and other factors. Based on an awareness of these risks, the Group operates a system that has a necessary function for risk management and strives to avoid risk and to minimize its impact where it occurs.

01 Credit Risk

Business activities that the Mitsubishi UFJ Lease & Finance Group engages in hold such risks as a credit risk arising from non-payment of lease payments or installment sales payments or similar due to a bankruptcy or equivalent situation at a counterparty.

In response, the Group operates a system of carefully executed assessment of individual cases, including assessment of country risk, for screening purposes. After the commencement of the transaction, the system continues to monitor credit and markets and takes any necessary action as appropriate. In the event of a counterparty bankruptcy or similar, the Group takes steps to avert loss, for instance by selling the lease property or other asset or by setting up a secondary lease.

The Group takes the further measure of quantifying the credit risk in its credit portfolio using external data on corporate bankruptcy trends and related statistical data, supplemented by independent in-house calculations of the likelihood of bankruptcy based on individual corporate credit ratings and data on properties' value by elapsed years of the lease, which we have accumulated to date. This identification of the quantitative extent of credit risk is used to promote sound operation, and the relevant data are also used as feedback in business strategy to promote portfolio management aimed at minimizing risk and maximizing return.

02 Interest Rate Fluctuation Risk

The Mitsubishi UFJ Lease & Finance Group considers that there might be such risks as an interest rate fluctuation risk arising from imbalances between invested assets and financing liabilities in its business activities.

To manage the interest rate fluctuation risk appropriately, the Group not only maintains a constant watch on interest rate movements, but also monitors any imbalances in interest conditions and that of the duration between invested assets and financing liabilities. The extent of interest rate fluctuation risk is monitored at the quarterly meeting of the ALM (Asset Liability Management) Committee, composed of directors and the managers of relevant departments, which reviews market conditions, reads analyses of the asset and liability portfolio, and undertakes discussion and decision-making related to current policy on risk management, new fund procurement, and related matters.

03 System Change Risk

Business activities that the Mitsubishi UFJ Lease & Finance Group engages in hold such risks as a system risk arising from changes or amendments to legislation, taxation, accounting, or other systems.

The Group operates its various finance businesses on the basis of existing systems of legislation, taxation, accounting, and so on. In the event of these systems undergoing major change, the business performance of the Group may be impacted.

04 Risk from Natural Disaster

In the event of earthquake, torrential rain, flood, or other natural disaster, disruption of business activities and related operations may occur. In preparation for such eventualities, the Mitsubishi UFJ Lease & Finance Group has formulated in advance a business continuity plan and other measures constituting a system to enable continued operation. Notwithstanding these measures, the Group's business performance or financial situation may be impacted by impairment of the smooth conduct of business or other negative consequences.

05 Risk Relating to Strategic Alliances and Corporate Acquisitions

To achieve sustainable growth as a comprehensive finance company leading the industry, in addition to strengthening and expanding the functions it provides, the Mitsubishi Lease & Finance Group actively promotes alliances, acquisitions, and related strategies. In the case of such alliances and acquisitions, factors such as system changes or changes in the external environment may make it impossible to maintain the alliance relationship, while the acquisitions may fail to realize the expected benefit. Moreover, planned alliances or acquisitions may for various reasons be delayed or fail to be implemented, leading to an increase in the costs involved.

06 Other Risk

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

Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Assets			
Current assets:			
Cash and cash equivalents (Notes 10 and 20)	¥ 72,954	¥ 51,766	$ 776,106
Time deposits other than cash equivalents (Notes 10 and 20)	9,159	4,522	97,436
Marketable securities (Notes 4 and 20)	33,801	66,614	359,585
Receivables:			
Lease	14,009	18,001	149,032
Installment sales (Note 20)	245,557	255,731	2,612,309
Loans (Notes 10 and 20)	1,256,032	1,193,608	13,362,043
Lease receivables and investments in leases (Notes 7, 10, and 20)	1,286,146	1,199,472	13,682,404
Inventories (Note 5)	2,731	6,359	29,053
Deferred tax assets (Note 18)	9,310	6,154	99,043
Prepaid expenses and other	89,111	47,702	947,989
Allowance for doubtful receivables (Note 20)	(13,602)	(19,478)	(144,702)
Total current assets	3,005,208	2,830,451	31,970,298
Leased assets — at cost	1,037,791	737,098	11,040,330
Accumulated depreciation	(269,982)	(269,115)	(2,872,149)
Net leased assets	767,809	467,983	8,168,181
Advances for purchases of leased assets	361	122	3,840
Total leased assets (Notes 6, 8, and 10)	768,170	468,105	8,172,021
Investments and other assets:			
Investment securities (Notes 4, 10, and 20)	189,565	196,745	2,016,649
Investments in unconsolidated subsidiaries and associated companies (Notes 10 and 20)	36,043	30,683	383,436
Investment in equity other than capital stock	2,754	13,324	29,298
Goodwill (Note 9)	78,365	40,498	833,670
Long-term receivables (Note 20)	46,066	49,451	490,064
Deferred tax assets (Note 18)	14,780	14,368	157,234
Other (Note 10)	41,100	41,942	437,234
Allowance for doubtful receivables (Note 20)	(15,921)	(15,533)	(169,372)
Total investments and other assets	392,752	371,478	4,178,213
Property and equipment — at cost	19,370	19,254	206,064
Accumulated depreciation	(7,716)	(6,989)	(82,085)
Net property and equipment	11,654	12,265	123,979
Total	¥4,177,784	¥3,682,299	$44,444,511

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Liabilities and Equity			
Current liabilities:			
Short-term borrowings (Notes 11, 17, and 20)	¥1,584,949	¥1,306,242	$16,861,160
Current maturities of long-term debt (Notes 10, 11, 17, and 20)	490,216	540,745	5,215,064
Payables — trade (Note 20):			
Notes	11,791	13,393	125,436
Accounts	75,066	77,561	798,574
Accrued expenses	12,622	11,971	134,277
Income taxes payable	9,612	11,606	102,255
Deposits from customers	19,598	17,608	208,489
Deferred profit on installment sales (Note 20)	28,857	33,298	306,989
Other (Notes 10 and 18)	64,480	56,668	685,958
Total current liabilities	2,297,191	2,069,092	24,438,202
Long-term liabilities:			
Long-term debt, less current maturities (Notes 10, 11, 17, and 20)	1,284,743	1,091,227	13,667,479
Liability for retirement benefits (Note 12)	2,988	2,974	31,787
Asset retirement obligations	12,525	11,959	133,245
Deferred tax liabilities (Note 18)	13,509	7,115	143,713
Other (Note 10)	98,766	79,068	1,050,702
Total long-term liabilities	1,412,531	1,192,343	15,026,926
Commitments and contingent liabilities (Notes 13 and 21)			
Equity (Notes 14 and 25):			
Common stock — authorized, 3,200,000,000 shares in 2013 and 2012; issued, 895,834,160 shares in 2013 and 2012*	33,196	33,196	353,149
Capital surplus	166,783	166,789	1,774,288
Stock acquisition rights (Note 15)	713	548	7,585
Retained earnings	237,833	207,677	2,530,138
Treasury stock — at cost, 7,202,460 shares in 2013 and 7,269,060 shares in 2012*	(2,517)	(2,540)	(26,777)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	9,443	3,447	100,458
Deferred loss on derivatives under hedge accounting	(776)	(960)	(8,255)
Foreign currency translation adjustments	4,038	(4,604)	42,957
Total	448,713	403,553	4,773,543
Minority interests	19,349	17,311	205,840
Total equity	468,062	420,864	4,979,383
Total	¥4,177,784	¥3,682,299	$44,444,511

*Shares have been restated, as appropriate, to reflect a ten-for-one stock split effective April 1, 2013.

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Revenues:			
Customer finance	¥558,339	¥572,325	$5,939,777
Asset finance	139,816	152,286	1,487,404
Total revenues	698,155	724,611	7,427,181
Costs (Note 17)**:**			
Customer finance	478,156	489,174	5,086,766
Asset finance	101,966	120,359	1,084,745
Total costs	580,122	609,533	6,171,511
Gross profit	118,033	115,078	1,255,670
Selling, general, and administrative expenses (Note 16)	58,046	61,921	617,511
Operating income	59,987	53,157	638,159
Other income (expenses):			
Dividend income	1,127	941	11,989
Interest expense — net of interest income of ¥59 million ($628 thousand) in 2013 and ¥41 million in 2012 (Note 17)	(2,409)	(2,354)	(25,628)
Reversal of allowance for doubtful receivables caused by the March 11, 2011 disaster		5,806	
Other — net	3,760	4,499	40,001
Other income — net	2,478	8,892	26,362
Income before income taxes and minority interests	62,465	62,049	664,521
Income taxes (Note 18)**:**			
Current	27,518	23,258	292,744
Deferred	(3,005)	2,316	(31,968)
Total	24,513	25,574	260,776
Net income before minority interests	37,952	36,475	403,745
Minority interests in net income	1,913	1,834	20,351
Net income	¥ 36,039	¥ 34,641	$ 383,394

	Yen		U.S. Dollars
	2013	2012	2013
Amounts per share of common stock (Note 24)**:**			
Basic net income*	¥40.56	¥38.72	$0.43
Diluted net income*	40.45	38.64	0.43
Cash dividends applicable to the year	65	60	0.69

*Per share figures have been restated, as appropriate, to reflect a ten-for-one stock split effective April 1, 2013.

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Net income before minority interests	¥37,952	¥36,475	$403,745
Other comprehensive income (Note 22)**:**			
Net unrealized gain on available-for-sale securities	5,947	1,930	63,266
Deferred gain on derivatives under hedge accounting	183	263	1,947
Foreign currency translation adjustments	1,851	(642)	19,691
Share of other comprehensive income in associates	86	34	915
Total other comprehensive income	8,067	1,585	85,819
Comprehensive income	¥46,019	¥38,060	$489,564
Total comprehensive income attributable to:			
Owners of the parent	¥43,911	¥36,303	$467,138
Minority interests	2,108	1,757	22,426

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, 2013 and 2012

	Thousands of Shares*		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013	2012	2013
Common stock					
Beginning balance	895,834	895,834	¥ 33,196	¥ 33,196	$ 353,149
Ending balance	895,834	895,834	¥ 33,196	¥ 33,196	$ 353,149
Capital surplus					
Beginning balance			¥166,789	¥166,789	$1,774,351
Disposals of treasury stock			(6)		(63)
Ending balance			¥166,783	¥166,789	$1,774,288
Stock acquisition rights					
Beginning balance			¥ 548	¥ 344	$ 5,830
Net change in the year (Note 15)			165	204	1,755
Ending balance			¥ 713	¥ 548	$ 7,585
Retained earnings					
Beginning balance			¥207,677	¥177,604	$2,209,330
Net income			36,039	34,641	383,394
Cash dividends paid			(5,776)	(4,568)	(61,447)
Adjustment of retained earnings of newly consolidated subsidiaries			(107)		(1,139)
Ending balance			¥237,833	¥207,677	$2,530,138
Treasury stock					
Beginning balance	(7,269)	(269)	¥ (2,540)	¥ (75)	$ (27,021)
Net change in the year	67	(7,000)	23	(2,465)	244
Ending balance	(7,202)	(7,269)	¥ (2,517)	¥ (2,540)	$ (26,777)
Accumulated other comprehensive income:					
Net unrealized gain on available-for-sale securities					
Beginning balance			¥ 3,447	¥ 1,506	$ 36,670
Net change in the year			5,996	1,941	63,788
Ending balance			¥ 9,443	¥ 3,447	$ 100,458
Deferred loss on derivatives under hedge accounting					
Beginning balance			¥ (960)	¥ (1,228)	$ (10,213)
Net change in the year			184	268	1,958
Ending balance			¥ (776)	¥ (960)	$ (8,255)
Foreign currency translation adjustments					
Beginning balance			¥ (4,604)	¥ (4,057)	$ (48,979)
Net change in the year			8,642	(547)	91,936
Ending balance			¥ 4,038	¥ (4,604)	$ 42,957
Minority interests					
Beginning balance			¥ 17,311	¥ 15,724	$ 184,160
Net change in the year			2,038	1,587	21,680
Ending balance			¥ 19,349	¥ 17,311	$ 205,840

*Shares have been restated, as appropriate, to reflect a ten-for-one stock split effective April 1, 2013.

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Operating activities:			
Income before income taxes and minority interests	¥ 62,465	¥ 62,049	$ 664,521
Adjustment for:			
Income taxes — paid	(29,500)	(25,111)	(313,830)
Depreciation and amortization	75,181	85,709	799,798
Amortization of negative goodwill	(25)	(25)	(266)
Reversal of allowance for doubtful receivables	(5,641)	(4,291)	(60,011)
Loss on disposals and sales of leased assets	18,718	22,896	199,128
Changes in assets and liabilities:			
Increase in trade receivables	(31,211)	(28,540)	(332,032)
Increase in lease receivables and investments in leases	(48,944)	(18,590)	(520,681)
Decrease in operating securities and investments in private equity securities	39,228	42,995	417,319
(Decrease) increase in trade payables	(4,572)	7,957	(48,638)
(Decrease) increase in interest payable	(437)	94	(4,649)
Purchases of leased assets	(136,895)	(77,307)	(1,456,330)
Other — net	(1,775)	20,105	(18,882)
Total adjustments	(125,873)	25,892	(1,339,074)
Net cash (used in) provided by operating activities	(63,408)	87,941	(674,553)
Investing activities:			
Purchases of property and equipment	(3,263)	(3,422)	(34,713)
Purchases of investment securities	(3,328)	(3,959)	(35,404)
Proceeds from sales and redemption of investment securities	7,351	2,762	78,202
Payments for acquisition of newly consolidated subsidiaries	(103,059)		(1,096,372)
Payments for acquisition of a consolidated subsidiary		(37)	
Payments into time deposits	(1,478)	(3,500)	(15,723)
Proceeds from withdrawal of time deposits	1,000		10,638
Other — net	404	525	4,298
Net cash used in investing activities	(102,373)	(7,631)	(1,089,074)
Financing activities:			
Repayments of long-term debt	(773,742)	(443,242)	(8,231,298)
Proceeds from long-term debt	707,660	535,823	7,528,298
Net increase (decrease) in short-term borrowings	255,951	(153,601)	2,722,883
Cash dividends paid	(5,776)	(4,568)	(61,447)
Other — net	(532)	(3,043)	(5,659)
Net cash provided by (used in) financing activities	183,561	(68,631)	1,952,777
Foreign currency translation adjustments on cash and cash equivalents	986	(96)	10,489
Net increase in cash and cash equivalents	18,766	11,583	199,639
Increase (decrease) in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	2,422	(226)	25,765
Cash and cash equivalents, beginning of year	51,766	40,409	550,702
Cash and cash equivalents, end of year	¥ 72,954	¥ 51,766	$ 776,106

See notes to consolidated financial statements.

Additional information

Acquisition of equity interest of JSA International Holdings, L.P. (JSA) (Note 3)
On January 11, 2013, the Company acquired all of the outstanding equity interests of JSA according to the equity purchase agreement executed on October 4, 2012.

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

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2013	2013
Current assets	¥ 10,695	$ 113,777
Fixed assets	275,772	2,933,745
Goodwill	40,785	433,883
Current liabilities	(21,234)	(225,894)
Fixed liabilities	(191,682)	(2,039,170)
Foreign currency translation adjustment	(7,143)	(75,990)
Acquisition cost	107,193	1,140,351
Cash and cash equivalents	(4,134)	(43,979)
Net cash paid for acquisition of JSA	¥103,059	$1,096,372

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

1 Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94 to US$1, the approximate rate of exchange at March 31, 2013.

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 2013, include the accounts of the Company and its 197 (88 in 2012) 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 five (five in 2012) associated companies are accounted for by the equity method.

In September 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 20, "Practical Solution Application of Control Criteria and Influence Criteria to Investment Associations." The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, silent partnerships, and other entities with similar characteristics. The Company applied this practical solution and consolidated three such collective investment vehicles in 2013 (four in 2012).

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

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

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

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

The fiscal years of the subsidiaries are not necessarily the same as the Company's. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to reflect properly their financial positions at March 31 of each year and the results of operations for the years then ended.

For the year ended March 31, 2013, Koken Chemical Co., Ltd. ("Koken") was not consolidated though the Company held a majority of its voting rights. For the year ended March 31, 2012, Koken and Tarami Corporation and its subsidiary ("Tarami") were not consolidated though the Company held a majority of their voting rights. The reason these companies were not consolidated was the Company did not intend to control them as an owner, but to improve their business for investment purposes through a consolidated private equity firm.

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

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

The Company acquired 100% of the net assets of JSA International Holdings, L.P. on January 11, 2013, and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 20 years.

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

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

d. Lease Accounting — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.
Lessee — Finance leases that are deemed to transfer ownership of the leased property to the lessee are capitalized. However, under the previous accounting standard, other finance leases were permitted to be accounted for as operating lease transactions if certain "as-if capitalized" information was disclosed in the notes to the lessee's consolidated financial statements. In principle, the revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets, but it permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008, but the Company and its consolidated domestic subsidiaries continue to account for leases that existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.
Lessor — Finance leases that are deemed to transfer ownership of the leased property to the lessee are to be

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

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

e. Revenue Recognition

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

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

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

The Companies follow the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥171,390 million ($1,823,298 thousand) in 2013 and ¥176,777 million in 2012.

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

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

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

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

The Companies have operating securities to gain interest or dividend income. The amount of operating securities included in "Marketable Securities" and "Investment Securities" were ¥32,807 million ($349,011 thousand) and ¥135,802 million ($1,444,702 thousand), respectively, as of March 31, 2013, and ¥64,245 million and ¥149,958 million, respectively, as of March 31, 2012. In addition, the Companies record income from those securities as "Revenues" in the consolidated statements of income.

As mentioned in Note 2. a., the Companies also have investments in private equity (Koken for the year ended March 31, 2013, and Tarami and Koken for the year ended March 31, 2012). Investments in private equity, included in "Investment Securities," as of March 31, 2013 and 2012, were ¥2,498 million ($26,574 thousand) and ¥8,214 million, respectively. In addition, the Companies record income from selling those securities as "Revenues" in the consolidated statements of income.

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

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

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

Buildings: 3 to 50 years
Furniture and equipment: 2 to 20 years

Change of accounting policy which is not easily distinguished from a change of an accounting estimate Effective April 1, 2012, as a result of the revision of Japanese corporate tax law, the Company and its domestic consolidated subsidiaries changed their depreciation method for property and equipment acquired on or after April 1, 2012 to the method stipulated under the revised corporate tax law. The effect of this change was immaterial.

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

j. Allowance for Doubtful Receivables —The allowance for doubtful receivables is stated at the amount considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding. The amounts of long-term receivables considered uncollectible were directly written off from the accounts. The amounts directly written off were ¥18,313 million ($194,819 thousand) and ¥30,727 million at March 31, 2013 and 2012, respectively.

k. Retirement and Pension Plans

Employees' Retirement Benefits — The Company and certain consolidated domestic subsidiaries have contract-type defined benefit corporate pension plans for employees or unfunded retirement benefit plans.

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

Retirement Allowances for Directors and Audit and Supervisory Board Members — Retirement allowances for directors and Audit and Supervisory Board members are recorded as a liability at the amount that would be required if all directors and Audit and Supervisory Board members retired at the consolidated balance sheet date.

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

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

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

o. Translation of Foreign Currency Accounts

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

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

Foreign Currency Financial Statements — The balance sheet accounts 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” under accumulated other comprehensive income 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, interest rate cap contracts, and currency interest rate swaps to manage their interest rate risk and foreign currency exposures on certain assets and liabilities. The 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 the derivative transactions are recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

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

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

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

On April 1, 2013, the Company completed a ten-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors’ meeting held on December 20, 2012. The number of shares in the prior year and per share figures have been restated to reflect the impact of the stock split and to provide data on a basis comparable to the year ended March 31, 2013. Such restatements include calculations regarding the Company’s weighted-average number of common shares, basic net income per share, diluted net income per share, and stock option data of the Company's common stock.

r. 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 following a revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions; (2) Changes in Presentation — When the presentation of financial statements is changed, prior-period consolidated 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; and (4) Corrections of Prior-Period Errors — When an error in prior-period consolidated financial statements is discovered, those financial statements are restated. This accounting standard and the guidance were applicable to accounting changes and corrections of prior-period errors that are made from the beginning of the fiscal year that begins on or after April 1, 2011.

s. New Accounting Pronouncements
Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the "Accounting Standard for Retirement Benefits" that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance and followed by partial amendments from time to time through 2009.
Major changes are as follows:
(a) Treatment in the consolidated balance sheets
Under the current requirements, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are not recognized in the consolidated balance sheets and the difference between retirement benefit obligations and plan assets ("deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(b) Treatment in the consolidated statement of income and the consolidated statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and prior service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and prior service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and prior service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

The accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.
(c) Amendments relating to the method of attributing expected benefits to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefits to periods and relating to the discount rate and expected future salary increases.

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

The Company expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013 and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3 Business Combination

On January 11, 2013, the Company acquired all of the outstanding equity interests of JSA International Holdings, L.P. ("JSA") (country of incorporation: Cayman Islands) according to the equity purchase agreement executed on October 4, 2012. The consolidated financial statements as of March 31, 2013 include only the balance sheet of JSA since the deemed acquisition date was January 1, 2013 and the Company consolidated JSA using its financial statements as of December 31, 2012. The excess of the acquisition cost over the fair value of the net assets of JSA was ¥40,785 million ($433,883 thousand) at January 1, 2013, which was recognized as goodwill in the accompanying consolidated balance sheets and is amortized using the straight-line method over a period of 20 years.

With the increased convergence of finance and commercial distribution in the field of business finance and in order to specifically meet diversified and sophisticated corporate needs spurred by the globalization of economic activities and changes in industrial structure, the Company, as a comprehensive finance company that unifies assets, such as goods, services, information and funds, has been seeking to reinforce its product services through developing and improving various financing products and services, and has evolved its business by aggressively expanding its scope of activities beyond its core competency of leasing.

Under the Medium-Term Management Plan "Vision 2013" currently being implemented to transform the Company from a comprehensive finance company belonging to one of Japan's top conglomerates into Asia's leading comprehensive finance company that operates its business on a global scale, the Company continues to develop its operational platform by expanding its network and enhancing its alliances, and at the same time, aggressively developing services that meet the needs of each country's respective systems and business environment. In addition, in the asset finance business where it can maximize its capabilities and characteristics that are unique to a dynamic and responsive comprehensive finance company, the Company is promoting its business through operating leases and used equipment trading, taking an approach that focuses on potential value and marketability. Above all, the Company is seeking to expand its business involving global assets, including aircraft, vessels, containers and freight cars, in which high marketability and value may be found and recognized in global markets, while at the same time working to enhance relevant risk management systems. In particular, with respect to the aircraft business, for which growing demand in passenger volume is anticipated, the Company is enhancing its operational platform by actively deploying personnel familiar with the aviation industry and establishing operational sites.

In furtherance of these efforts, the Company has decided to acquire all of the outstanding equity interests of JSA, a leading aircraft leasing company that as a group has a fleet of approximately 70 aircraft through its affiliates such as Jackson Square Aviation, LLC, in order to further enhance the Company's provisioning capabilities in the aircraft business. The Company has decided to acquire this business because it has recognized that the business model of JSA matches the Company's strategy and direction that aims for an enhancement of asset finance—that JSA has at the core of its business model, a management team with expertise in the industry and with a high degree of professionalism and holds young vintage, high-quality aircraft assets, most of which are narrow body aircrafts with broad utility, as well as having solid operational sites accessible to airlines in countries around the world.

The details of the acquisition cost were as follows:

		Millions of Yen	Thousands of U.S. Dollars
Consideration	Consideration Cash	¥105,345	$1,120,691
Direct cost	Advisory costs and other expenses	1,848	19,660
Acquisition cost		¥107,193	$1,140,351

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

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 10,695	$ 113,777
Leased assets, investments, other assets, and property and equipment	275,772	2,933,744
Total	¥286,467	$3,047,521
Current liabilities	¥ 21,234	$ 225,894
Long-term liabilities	191,682	2,039,170
Total	¥212,916	$2,265,064

The estimated impact on the consolidated statement of income for the year ended March 31, 2013, assuming the business combination was concluded on the beginning of the current fiscal year was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total revenues	¥26,815	$285,266
Operating income	5,287	56,245
Income before income taxes and minority interests	4,552	48,426
Net income	2,047	21,777
	Yen	U.S. Dollars
Basic net income per share	¥ 2.30	$ 0.024

Basic net income per share has been restated, as appropriate, to reflect a ten-for-one stock split completed on April 1, 2013.

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

Particular accounts related to the business combination are included in other current liabilities amounting to ¥3,427 million ($36,457 thousand) and other long-term liabilities amounting to ¥1,504 million ($16,000 thousand) as of March 31, 2013. These are mainly disbursement amounts of loan refinancing expenses estimated when the Company acquired JSA.

4 Marketable and Investment Securities

Marketable and investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Current:			
Debt securities	¥ 23,281	¥ 60,603	$ 247,670
Trust fund investments and other	10,520	6,011	111,915
Total	¥ 33,801	¥ 66,614	$ 359,585
Noncurrent:			
Equity securities	¥ 46,263	¥ 44,600	$ 492,160
Debt securities	82,832	82,385	881,191
Trust fund investments and other	60,470	69,760	643,298
Total	¥189,565	¥196,745	$2,016,649

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2013 and 2012, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥22,238	¥14,428	¥(679)	¥35,987
Debt securities	97,201	381	(2)	97,580
Trust fund investments	8,196	6	(661)	7,541

	Millions of Yen			
March 31, 2012	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥23,809	¥7,743	¥(1,824)	¥29,728
Debt securities	140,078	919	(8)	140,989
Trust fund investments	10,357	8	(1,286)	9,079

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 236,574	$153,490	$(7,223)	$ 382,841
Debt securities	1,034,053	4,053	(21)	1,038,085
Trust fund investments	87,191	64	(7,032)	80,223

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2013 and 2012, were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Available-for-sale:			
Equity securities	¥10,276	¥14,871	$109,319
Debt securities	8,533	2,000	90,777
Trust beneficiary interests	407	427	4,330
Silent partnership interests	50,952	49,501	542,042
Senior equity interests	10,040	12,408	106,809
Limited partnership interests	2,049	4,355	21,798
Total	¥82,257	¥83,562	$875,075

The proceeds from realized gains and losses of the available-for-sale securities which were sold during the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Proceeds	¥13,678	¥8,461	$145,511
Realized gains	6,653	1,438	70,777
Realized losses	179	232	1,904

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Equity securities	¥1,859	¥ 183	$19,777
Debt securities	2,068	1,317	22,000
Trust fund investments and other	2,038	2,534	21,680
Total	¥5,965	¥4,034	$63,457

5 Inventories

Inventories as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Merchandise	¥ 849	¥ 960	$ 9,032
Real estate held for resale	1,882	5,399	20,021
Total	¥2,731	¥6,359	$29,053

6 Investment Property

The Companies own certain rental properties, such as office buildings, commercial facilities, and rental residential properties, in major cities throughout Japan. The net of rental income and operating expenses for those properties was ¥6,955 million ($73,989 thousand) and ¥6,189 million for the fiscal years ended March 31, 2013 and 2012, respectively.

The carrying amounts, changes in such balances, and fair value of the properties as of March 31, 2013 and 2012, were as follows:

Millions of Yen			
2013			
Carrying amount			Fair value
Beginning of year	Increase	End of year	End of year
¥173,041	¥23,700	¥196,741	¥197,161

Millions of Yen			
2012			
Carrying amount			Fair value
Beginning of year	Decrease	End of year	End of year
¥183,053	¥(10,012)	¥173,041	¥176,681

Thousands of U.S. Dollars			
2013			
Carrying amount			Fair value
Beginning of year	Increase	End of year	End of year
$1,840,862	$252,127	$2,092,989	$2,097,457

Notes:

1) Carrying amounts recognized in the consolidated balance sheets are net of accumulated depreciation and accumulated impairment losses, if any.
2) The increase during the fiscal year ended March 31, 2013 was primarily attributable to ¥32,482 million ($345,553 thousand) from the acquisition of real estate. The decrease during the fiscal year ended March 31, 2012 was primarily attributable to ¥11,054 million from sales of real estate.
3) For fair value disclosures related to major properties, the Company obtains fair value using third-party real estate appraisers or by the DCF method. When changes in facts or circumstances indicate that there is no significant change in indices from the latest appraisal, the Companies use the fair value of these properties based on such appraisals. For fair value disclosures on other properties, the Company obtains fair value using the DCF rationally calculated by the Companies, amounts calculated by using market price indices, or appropriate book value for certain depreciable assets or properties newly acquired in this fiscal year.

7 Lease Receivables and Investments in Lease

Lease receivables as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Gross lease receivables	¥273,048	¥198,966	$2,904,766
Unearned interest income	(27,302)	(22,111)	(290,447)
Total	¥245,746	¥176,855	$2,614,319

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Years Ending March 31	2013	2013
2014	¥ 76,756	$ 816,553
2015	62,753	667,585
2016	49,636	528,043
2017	31,524	335,362
2018	19,025	202,393
Thereafter	33,354	354,830
Total	¥273,048	$2,904,766

Investments in leases as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Gross investments in leases	¥1,252,318	¥1,237,590	$13,322,532
Residual values	48,866	53,580	519,851
Unearned interest income	(260,784)	(268,553)	(2,774,298)
Total	¥1,040,400	¥1,022,617	$11,068,085

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Years Ending March 31	2013	2013
2014	¥ 328,277	$ 3,492,309
2015	254,416	2,706,553
2016	201,925	2,148,138
2017	144,738	1,539,766
2018	93,302	992,574
Thereafter	229,660	2,443,192
Total	¥1,252,318	$13,322,532

As discussed in Note 2.d., the Company and its consolidated domestic subsidiaries applied the revised accounting standard for leases effective April 1, 2008. Due to this change, interest on finance lease contracts that do not transfer ownership of the leased property to the lessee and existed on the transition date was recorded using the straight-line method. Interest was ¥5,668 million ($60,298 thousand) larger for the year ended March 31, 2013, and ¥7,349 million larger for the year ended March 31, 2012 than would be recorded using the interest method from the beginning of the transition date.

The balance sheet amounts of sublease contracts, including those that aim to disperse credit risks, including interest as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Lease receivables	¥11,580	¥12,899	$123,191
Investments in leases	31,935	30,844	339,734
Lease obligations	44,531	44,599	473,734

8 Leased Assets

The minimum future rentals on lease contracts as of March 31, 2013 and 2012, were ¥474,804 million ($5,051,106 thousand) and ¥201,301 million, respectively.

The aggregate annual maturities of the minimum future rentals on lease contracts as of March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Years Ending March 31	2013	2013
2014	¥ 89,299	$ 949,989
2015	72,661	772,989
2016	60,982	648,745
2017	51,085	543,457
2018	44,016	468,255
Thereafter	156,761	1,667,671
Total	¥474,804	$5,051,106

9 Goodwill

Goodwill as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Goodwill in connection with acquisition	¥29,899	¥32,035	$318,074
Consolidation goodwill	48,466	8,463	515,596
Total	¥78,365	¥40,498	$833,670

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

10 Pledged Assets

As of March 31, 2013, 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
	2013	2013
Cash and cash equivalents	¥ 230	$ 2,447
Time deposits other than cash equivalents	1,218	12,957
Receivables — loans	114,601	1,219,160
Lease receivables and investments in leases	40,813	434,181
Leased assets	221,234	2,353,553
Investment securities	2,607	27,734
Investments in unconsolidated subsidiaries and associated companies	201	2,138
Investments and other assets — other	214	2,277

The liabilities secured by the foregoing assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Loans from banks and other financial institutions	¥143,419	$1,525,734
Loans from the securitizations of the minimum future rentals on lease contracts	123,862	1,317,681
Other current liabilities	64	681
Other long-term liabilities	885	9,415

11 Short-Term Borrowings and Long-Term Debt

Short-term borrowings as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Short-term loans from banks and other financial institutions with interest rates ranging:			
2013 — from 0.13% to 7.02%	¥ 778,749		$ 8,284,564
2012 — from 0.19% to 8.00%		¥ 586,942	
Commercial paper with interest rates ranging:			
2013 — from 0.11% to 0.13%	806,200		8,576,596
2012 — from 0.09% to 0.15%		719,300	
Total	¥1,584,949	¥1,306,242	$16,861,160

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, 2013, the Company has not received any such request.

Long-term debt as of March 31, 2013 and 2012, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Bonds			
Straight bonds and floating-rate bonds due in 2013, with interest rates ranging from 0.31% to 1.65%		¥ 198,100	
Straight bonds and floating-rate bonds due in 2014, with interest rates ranging from 0.19% to 1.65%	¥ 121,432	57,512	$ 1,291,830
Straight bonds and floating-rate bonds due in 2015, with interest rates ranging from 0.24% to 3.60%	118,548	36,918	1,261,149
Straight bonds and floating-rate bonds due in 2016, with interest rates ranging from 0.24% to 0.84%	90,500	65,500	962,766
Straight bonds and floating-rate bonds due in 2017, with interest rates ranging from 0.57% to 0.80%	80,000	80,000	851,064
Straight bonds and floating-rate bonds due in 2018, with interest rates ranging from 0.44% to 2.00%	66,838		711,043
Loans from the securitizations of the minimum future rentals on lease contracts, with interest rates ranging from 0.11% to 2.62%, due through 2023	139,645	104,215	1,485,585
Lease obligations included fixed interests, due through 2024	44,613	44,710	474,606
Loans from banks and other financial institutions, partially collateralized with interest rates ranging from 0.36% to 6.89%, due through 2031	1,113,383	1,045,017	11,844,500
Total	1,774,959	1,631,972	18,882,543
Less current maturities	(490,216)	(540,745)	(5,215,064)
Long-term debt, less current maturities	¥1,284,743	¥1,091,227	$13,667,479

Annual maturities of long-term debt as of March 31, 2013, for the next five years and thereafter were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Years Ending March 31	2013	2013
2014	¥ 490,216	$ 5,215,064
2015	386,306	4,109,638
2016	277,174	2,948,660
2017	272,318	2,897,000
2018	192,705	2,050,053
Thereafter	156,240	1,662,128
Total	¥1,774,959	$18,882,543

The Company and certain consolidated domestic subsidiaries had loan commitment agreements as of March 31, 2013 and 2012, amounting to ¥376,067 million ($4,000,713 thousand) and ¥300,000 million, respectively, of which ¥371,897 million ($3,956,351 thousand) and ¥300,000 million were unused, respectively.

12 Retirement and Pension Plans

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

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

The liability for retirement benefits for directors and Audit and Supervisory Board members of the consolidated domestic subsidiaries at March 31, 2013 and 2012 was ¥144 million ($1,532 thousand) and ¥154 million, respectively. The retirement benefits for directors and Audit and Supervisory Board members are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits as of March 31, 2013, and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥20,964	¥17,124	$223,021
Fair value of plan assets	(13,774)	(11,618)	(146,532)
Unrecognized prior service cost	(182)	(255)	(1,936)
Unrecognized actuarial loss	(4,243)	(2,520)	(45,138)
Net liability	2,765	2,731	29,415
Prepaid pension cost	(79)	(89)	(840)
Accrued liability	¥ 2,844	¥ 2,820	$ 30,255

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥1,027	¥1,018	$10,926
Interest cost	262	247	2,787
Expected return on plan assets	(188)	(169)	(2,000)
Amortization of prior service cost	73	73	777
Recognized actuarial loss	286	279	3,043
Additionally paid retirement benefits	12	14	128
Net periodic benefit costs	¥1,472	¥1,462	$15,661

Assumptions used for the years ended March 31, 2013 and 2012, were set forth as follows:

	2013	2012
Discount rate	**0.5 to 1.0%**	1.5 to 1.7%
Expected rate of return on plan assets	**1.5 to 1.7%**	1.5 to 1.7%
Amortization period of prior service cost	**13 to 15 years**	13 to 15 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, 2013, totaling ¥159,877 million ($1,700,819 thousand), the used portion is ¥21,469 million ($228,394 thousand), and the unused portion is ¥138,409 million ($1,472,436 thousand). This amount includes unused portions of the facilities of ¥118,634 million ($1,262,064 thousand) which will not necessarily be utilized in full because these facilities are subject to periodic reviews of the borrower's purpose for the loan, credit standing, etc.

As of March 31, 2013, the Companies have commitments for the purchase of assets for leasing and installment sales, at a cost of approximately ¥181,913 million ($1,935,245 thousand).

The Companies are contingently liable as of March 31, 2013 as guarantor or co-guarantor for borrowings and others of ¥8,269 million ($87,968 thousand) for their unconsolidated subsidiaries and others.

The Companies have entered into various interest rate swaps, interest rate cap contracts, cross-currency interest rate swaps, and foreign exchange forward contracts in the ordinary course of business (see Note 21).

14 Equity

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

(a) Dividends

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

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

15 Stock Based Compensation

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

The stock options outstanding as of March 31, 2013, were as follows:

	2010 stock option	2011 stock option	2012 stock option
Persons granted	9 directors 17 executive officers	9 directors 17 executive officers	10 directors 17 executive officers
Number of options granted*	684,400	651,600	721,700
Date of grant	October 15, 2009	October 15, 2010	October 14, 2011
The fair value of options granted under the plan at the grant dates*	¥264 ($2.81)	¥250 ($2.66)	¥283 ($3.01)

	2013 stock option
Persons granted	10 directors 17 executive officers
Number of options granted*	583,100
Date of grant	October 15, 2012
The fair value of options granted under the plan at the grant dates*	¥313 ($3.33)

The total stock-based compensation costs recognized for the years ended March 31, 2013 and 2012, were ¥182 million ($1,936 thousand) and ¥204 million, respectively.

The fair value of 2013 stock option is estimated using the Black-Scholes option-pricing model with the assumptions noted as follows table.

	2013 stock option
Volatility of stock price	43.69%
Estimated remaining outstanding period	4.2 years
Estimated dividend	1.78%
Risk-free interest rate	0.15%

The volatility of the stock price is based on the historical volatility of the Company's stock for the period equal to the option's estimated remaining outstanding period from the grant date. The estimated remaining outstanding period is based on the average term period and the average age as of retirement. The estimated dividend is based on the actual per share dividends (*) of ¥60 ($0.64) made in the preceding year for the year ended March 31, 2013. The risk-free interest rate is based on the yield of government bonds having a remaining life equal to the option's estimated remaining outstanding period.

The stock option activity for the fiscal years ended March 31, 2013 and 2012, was as follows:

	2010 stock option	2011 stock option	2012 stock option	2013 stock option
	Number of Shares*			
For the year ended March 31, 2012				
Outstanding at beginning of fiscal year	684,400	651,600		
Granted			721,700	
Canceled or expired				
Exercised				
Outstanding at end of fiscal year	684,400	651,600	721,700	
Vested at end of fiscal year	684,400	651,600	721,700	
For the year ended March 31, 2013				
Outstanding at beginning of fiscal year	684,400	651,600	721,700	
Granted				583,100
Canceled or expired				
Exercised	66,700			
Outstanding at end of fiscal year	617,700	651,600	721,700	583,100
Vested at end of fiscal year	617,700	651,600	721,700	583,100

*These figures (except for actual per share dividends, the above mentioned) have been restated, as appropriate, to reflect a ten-for-one stock split effective April 1, 2013.

16 Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Provision for doubtful receivables	¥ 2,010	¥ 9,126	$ 21,383
Loss on operating securities	6,042	4,595	64,276
Employees' salaries, bonuses, and allowances	15,356	14,594	163,362
Other	34,638	33,606	368,490
Total	¥58,046	¥61,921	$617,511

17 Related-Party Transactions

The transactions with associates and a principal shareholder for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Interest expense	¥2,632	¥2,649	$28,000

Amounts due from and to associates and a principal shareholder as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Short-term borrowings	¥275,445	¥145,024	$2,930,266
Long-term debt, including current maturities	137,574	158,486	1,463,553

18 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 38.01% for the year ended March 31, 2013 and 40.7% for the year ended March 31, 2012.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Allowance for doubtful receivables	¥14,585	¥17,281	$155,160
Tax loss carryforwards	10,273	2,796	109,287
Investment securities and investments in unconsolidated subsidiaries and associated companies	9,041	6,100	96,181
Advances received — leases	3,333	2,906	35,457
Other	16,442	10,283	174,915
Total deferred tax assets	53,674	39,366	571,000
Less valuation allowance	(8,608)	(7,919)	(91,574)
Less deferred tax liabilities	(20,976)	(10,925)	(223,149)
Net deferred tax assets	¥24,090	¥20,522	$256,277

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax liabilities:			
Difference in assets and liabilities of newly consolidated subsidiaries between fair value and tax basis	¥12,687	¥ 6,617	$134,968
Depreciation of leased assets of foreign subsidiaries	9,531	764	101,394
Deferred revenues from certain finance lease transactions	5,844	4,874	62,170
Net unrealized gain on available-for-sale securities	5,052	1,788	53,745
Difference in assets and liabilities between purchase method and tax basis	2,421	2,897	25,755
Other	727	1,235	7,734
Total deferred tax liabilities	36,262	18,175	385,766
Less deferred tax assets	(20,976)	(10,925)	(223,149)
Net deferred tax liabilities	¥15,286	¥ 7,250	$162,617

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

The differences between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 are not significant.

On December 2, 2011, new tax reform laws were enacted in Japan which changed the normal effective statutory tax rate from approximately 40.7% to 38.01% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015 and to 35.64% afterwards.

The effect of this change was to decrease deferred taxes (net of deferred tax liabilities) in the consolidated balance sheet as of March 31, 2012 by ¥1,428 million, to increase income taxes – deferred in the consolidated statement of income for the year then ended by ¥1,598 million, to increase net unrealized gain on available-for-sale securities by ¥200 million, and to decrease deferred loss on derivatives under hedge accounting by ¥30 million.

19 Leases

The Companies lease certain equipment and other assets under finance leases. Total rental expenses under such leases for the year ended March 31, 2012 were ¥1 million.

As discussed in Note 2.d., the Companies account for leases which existed at the transition date and did 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 did not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, for the year ended March 31, 2012, were as follows:

	Millions of Yen		
March 31, 2012	Acquisition cost	Accumulated depreciation	Net leased property
Property and equipment ………	¥3	¥(3)	

Depreciation expense, which is not reflected in the accompanying consolidated statement of income, computed by the straight-line method, for the year ended March 31, 2012, was ¥1 million.

As of March 31, 2013, the Companies did not have leased property whose lease inception was before March 31, 2008.

The future minimum payments for such noncancelable financing leases, including the imputed interest, and operating leases as lessee as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Obligations under operating leases			
Due within one year……………	¥2,008	¥1,778	$21,362
Due after one year ……………	5,189	5,483	55,202
Total ………………………	¥7,197	¥7,261	$76,564

20 Financial Instruments and Related Disclosures

(1) Policy for financial instruments

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

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

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

Derivatives are used, not for speculative and trading purposes, but to hedge interest and foreign currency exposures as described in Note 21.

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

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

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

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

The Companies are also exposed to interest rate fluctuation risk on floating interest rate liabilities.

The Companies mainly conduct business of lease transactions, installment sales, and financial transactions. Some receivables relating to leases, installment sales, and loans are with fixed interest rates.

However, the Companies use some floating interest rate financing instruments which expose them to interest rate risk.

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

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

Please see Note 21 for more details about derivatives.

(3) Risk management for financial instruments

(a) Credit risk management

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

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

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

(i) Interest rate fluctuation risk management

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

(ii) Foreign exchange risk management

The Companies reduce 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 ALM Committee and the Risk Management Committee.

(iii) Price fluctuation risk management

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

(iv) Derivative transactions

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

(v) Quantitative information of market risk

The Companies have financial instruments exposed to market risk, which are composed chiefly of installment sales receivables, lease receivables and investments in leases, loans, marketable and investment securities, short-term borrowings, and long-term debt. To measure market risks, the Companies use the Value at Risk (VaR) method, which estimates changes in the market value of portfolios within a certain period by statistically analyzing past market data. In calculating the VaR, the Companies adopt a historical simulation model (holding period, one year; confidence interval, 99%; and observation period, five years). The aggregate VaR at March 31, 2013 and 2012, was ¥12,659 million ($134,670 thousand) and ¥13,269 million, respectively. The Companies measure and manage market risks, including the risks of the future rentals on and residual values of operating lease transactions, since they are also exposed to market risks similar to lease receivables and investments in lease (which are related to finance lease transactions).

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

(c) Liquidity risk management on financing

The Companies monitor 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 methods, the Companies endeavor to secure liquidity. Liquidity risk management related to financing is conducted based on the Companies' internal liquidity risk management rule monitoring the probability of realization of the risk under the current financing environment and monthly reports on liquidity risk status to the executive officer in charge. The executive officer in charge decides the stage of liquidity risk and reports the decision to the ALM Committee and the Risk Management Committee. The Company has also prepared a contingency plan for each stage of liquidity risk and has been prepared for appropriate action addressing any such contingency.

(4) Supplementary information on fair value of financial instruments

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

Regarding the fair value of financial instruments other than derivatives as of March 31, 2013 and 2012, see Note 21 for fair value information for derivatives.

	Millions of Yen		
March 31, 2013	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 72,954	¥ 72,954	
Time deposits other than cash equivalents	9,159	9,159	
Receivables			
Installment sales	245,557		
Deferred profit on installment sales	(28,857)		
Allowance for doubtful receivables	(1,649)		
	215,051	234,359	¥ 19,308
Loans	1,256,032		
Allowance for doubtful receivables	(8,722)		
	1,247,310	1,285,142	37,832
Lease receivables and investments in leases	1,286,146		
Residual values of investments in leases	(48,866)		
Allowance for doubtful receivables	(2,958)		
	1,234,322	1,308,619	74,297
Marketable and investment securities	141,108	141,108	
Investments in unconsolidated subsidiaries and associated companies	1,755	1,755	
Long-term receivables	46,066		
Allowance for doubtful receivables	(15,855)		
	30,211	30,211	
Total	¥2,951,870	¥3,083,307	¥131,437
Short-term loans from banks and other financial institutions	¥ 778,749	¥ 778,749	
Commercial paper	806,200	806,200	
Payables—trade	86,857	86,857	
Bonds	477,318	479,407	¥ 2,089
Loans from the securitizations of the minimum future rentals on lease contracts	139,645	139,952	307
Long-term loans from banks and other financial institutions	1,113,383	1,115,019	1,636
Total	¥3,402,152	¥3,406,184	¥ 4,032

	Millions of Yen		
March 31, 2012	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 51,766	¥ 51,766	
Time deposits other than cash equivalents	4,522	4,522	
Receivables			
Installment sales	255,731		
Deferred profit on installment sales	(33,298)		
Allowance for doubtful receivables	(2,953)		
	219,480	240,416	¥ 20,936
Loans	1,193,608		
Allowance for doubtful receivables	(11,992)		
	1,181,616	1,216,933	35,317
Lease receivables and investments in leases	1,199,472		
Residual values of investments in leases	(53,580)		
Allowance for doubtful receivables	(4,140)		
	1,141,752	1,221,341	79,589
Marketable and investment securities	179,796	179,796	
Investments in unconsolidated subsidiaries and associated companies	1,327	1,327	
Long-term receivables	49,451		
Allowance for doubtful receivables	(15,449)		
	34,002	34,002	
Total	¥2,814,261	¥2,950,103	¥135,842
Short-term loans from banks and other financial institutions	¥ 586,942	¥ 586,942	
Commercial paper	719,300	719,300	
Payables — trade	90,954	90,954	
Bonds	438,030	439,147	¥ 1,117
Loans from the securitizations of the minimum future rentals on lease contracts	104,215	104,506	291
Long-term loans from banks and other financial institutions	1,045,017	1,047,349	2,332
Total	¥2,984,458	¥2,988,198	¥ 3,740

	Thousands of U.S. Dollars		
March 31, 2013	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**$ 776,106**	**$ 776,106**	
Time deposits other than cash equivalents	**97,436**	**97,436**	
Receivables			
Installment sales	**2,612,309**		
Deferred profit on installment sales	**(306,989)**		
Allowance for doubtful receivables	**(17,543)**		
	2,287,777	**2,493,181**	**$ 205,404**
Loans	**13,362,043**		
Allowance for doubtful receivables	**(92,787)**		
	13,269,256	**13,671,723**	**402,467**
Lease receivables and investments in leases	**13,682,404**		
Residual values of investments in leases	**(519,851)**		
Allowance for doubtful receivables	**(31,468)**		
	13,131,085	**13,921,479**	**790,394**
Marketable and investment securities	**1,501,149**	**1,501,149**	
Investments in unconsolidated subsidiaries and associated companies	**18,670**	**18,670**	
Long-term receivables	**490,064**		
Allowance for doubtful receivables	**(168,670)**		
	321,394	**321,394**	
Total	**$31,402,873**	**$32,801,138**	**$1,398,265**
Short-term loans from banks and other financial institutions	**$ 8,284,564**	**$ 8,284,564**	
Commercial paper	**8,576,596**	**8,576,596**	
Payables — trade	**924,010**	**924,010**	
Bonds	**5,077,852**	**5,100,075**	**$ 22,223**
Loans from the securitizations of the minimum future rentals on lease contracts	**1,485,585**	**1,488,851**	**3,266**
Long-term loans from banks and other financial institutions	**11,844,500**	**11,861,904**	**17,404**
Total	**$36,193,107**	**$36,236,000**	**$ 42,893**

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

Cash and cash equivalents and Time deposits other than cash equivalents

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

Receivables — Installment sales

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

Receivables — Loans

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

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

Lease receivables and investments in leases

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

(*) As to the lease receivables and investments in leases involved in the foreign exchange forward contracts that qualify for hedge accounting and meet specific matching criteria, the amount to be received is exchanged at the contract rate (see Note 21).

Marketable and investment securities and Investments in unconsolidated subsidiaries and associated companies

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

Long-term receivables

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

Short-term 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 the short-term settlement period.

Commercial paper

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

Payables — trade

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

Bonds

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

(*) Bonds with fixed interest rates are netted against related floating-to-fix interest rate swaps when qualifying for hedge accounting and meeting specific criteria (see Note 21).

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

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

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

Long-term loans from banks and other financial institutions

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

(*) Regarding the long-term 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.
Regarding 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 21).

Derivatives

Information regarding the fair value of derivatives is included in Note 21.

Financial instruments of which fair value is not readily determinable

Nonmarketable securities as of March 31, 2013 and 2012, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Shares of subsidiaries and associated companies	**¥ 19,510**	¥ 19,241	**$ 207,553**
Unlisted shares	**10,276**	14,871	**109,319**
Unlisted domestic bonds	**8,533**	2,000	**90,777**
Trust beneficiary interests	**407**	427	**4,330**
Silent partnership interests	**65,730**	59,617	**699,255**
Senior equity interests	**10,040**	12,408	**106,809**
Limited partnership interests	**2,050**	4,355	**21,808**
Total	**¥116,546**	¥112,919	**$1,239,851**

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

	Millions of Yen					
March 31, 2013	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	**¥ 72,954**					
Time deposits other than cash equivalents	**9,159**					
Receivables						
Installment sales (1)	**74,167**	**¥ 53,670**	**¥ 40,377**	**¥ 27,211**	**¥ 15,617**	**¥ 34,515**
Loans	**347,795**	**222,142**	**179,321**	**177,210**	**116,078**	**213,486**
Lease receivables and investments in leases (2)	**405,033**	**317,169**	**251,561**	**176,262**	**112,327**	**263,014**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**23,281**	**12,085**	**36,840**	**6,130**	**8,438**	**10,177**
Other	**17,810**	**14,298**	**4,117**	**11,387**	**7,563**	**15,322**
Total	**¥950,199**	**¥619,364**	**¥512,216**	**¥398,200**	**¥260,023**	**¥536,514**

March 31, 2012	Millions of Yen Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	¥ 51,766					
Time deposits other than cash equivalents	4,522					
Receivables						
Installment sales (1)	78,954	¥ 53,748	¥ 39,177	¥ 27,764	¥ 15,963	¥ 40,125
Loans	340,266	249,399	172,285	118,888	121,881	190,889
Lease receivables and investments in leases (2)	389,253	296,347	222,824	164,431	100,473	263,228
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	60,604	33,613	12,262	27,818	3,839	3,775
Other	6,010	22,254	16,965	6,188	13,057	16,235
Total	¥931,375	¥655,361	¥463,513	¥345,089	¥255,213	¥514,252

March 31, 2013	Thousands of U.S. Dollars Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	**$ 776,106**					
Time deposits other than cash equivalents	**97,436**					
Receivables						
Installment sales (1)	**789,011**	**$ 570,957**	**$ 429,543**	**$ 289,479**	**$ 166,138**	**$ 367,181**
Loans	**3,699,947**	**2,363,213**	**1,907,670**	**1,885,213**	**1,234,872**	**2,271,128**
Lease receivables and investments in leases (2)	**4,308,862**	**3,374,138**	**2,676,181**	**1,875,128**	**1,194,968**	**2,798,021**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**247,670**	**128,565**	**391,914**	**65,212**	**89,767**	**108,266**
Other	**189,468**	**152,106**	**43,798**	**121,138**	**80,457**	**163,000**
Total	**$10,108,500**	**$6,588,979**	**$5,449,106**	**$4,236,170**	**$2,766,202**	**$5,707,596**

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

21 Derivatives

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

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

Derivative transactions to which hedge accounting is not applied as of March 31, 2013 and 2012, were as follows:

	Millions of Yen							
	2013				2012			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts:								
Selling Chinese yuan	¥ 79	¥ 52	¥ (5)	¥ (5)	¥ 25	¥ 13	¥ (1)	¥ (1)
Selling Yen	326		(18)	(18)				
Currency interest rate swap contracts:								
Chinese yuan payment, U.S. dollars receipt	507	396	(15)	(15)				
Interest rate swap contracts:								
Fixed-rate payment, floating-rate receipt	8,797	4,213	(186)	(186)	9,986	5,547	(234)	(234)
Floating-rate payment, floating-rate receipt	4,000	2,000	60	60	8,000	5,000	95	95
Interest rate cap:								
Buying	3,189	2,719	62					

	Thousands of U.S. Dollars			
	2013			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts:				
Selling Chinese yuan	$ 840	$ 553	$ (53)	$ (53)
Selling Yen	3,468		(191)	(191)
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipt	5,394	4,213	(160)	(160)
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	93,585	44,819	(1,979)	(1,979)
Floating-rate payment, floating-rate receipt	42,553	21,277	638	638
Interest rate cap:				
Buying	33,926	28,926	660	

Derivative transactions to which hedge accounting is applied as of March 31, 2013 and 2012, were as follows:

		Millions of Yen		
		2013		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	¥ 195		¥ (10)
Selling Chinese yuan	Payables — trade	905		(35)
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollar receipt	Long-term debt	41,141	¥41,141	
Thai baht payment, U.S. dollar receipt	Long-term debt	11,549	10,232	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	1,411		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term borrowings, long-term debt, bonds, and receivables — loan	156,241	83,890	(2,195)
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term debt	5,000	5,000	
Fixed-rate payment, floating-rate receipt	Long-term debt	79,397	57,860	

	Hedged item	Millions of Yen 2012 Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	¥ 375		¥ (2)
Selling Singapore dollars	Payables — trade	5		
Selling Chinese yuan	Payables — trade	538		(10)
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollar receipt	Long-term debt	40,366	¥ 40,366	
Thai baht payment, U.S. dollar receipt	Long-term debt	3,823	3,823	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	533		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term borrowings, long-term debt, bonds, receivables — loan	265,924	137,058	(1,286)
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term debt, bonds	7,000	5,000	
Fixed-rate payment, floating-rate receipt	Long-term debt	56,740	42,127	

	Hedged item	Thousands of U.S. Dollars 2013 Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	**$ 2,074**		**$ (106)**
Selling Chinese yuan	Payables — trade	**9,628**		**(372)**
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollar receipt	Long-term debt	**437,670**	**$437,670**	
Thai baht payment, U.S. dollar receipt	Long-term debt	**122,862**	**108,851**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivable	**15,011**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term borrowings, long-term debt, bonds, and receivables — loan	**1,662,138**	**892,447**	**(23,351)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term debt	**53,191**	**53,191**	
Fixed rate-payment, floating-rate receipt	Long-term debt	**844,649**	**615,532**	

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

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

The cross-currency interest rate swap contracts, interest rate swap contracts, and foreign currency exchange contracts which qualify for hedge accounting and meet specific matching criteria are assigned to the associated long-term debt from banks and other financial institutions and lease receivables, and recorded in the consolidated balance sheets at March 31, 2013 and 2012, and included in the fair value of hedged items.

22 Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥8,518	¥1,547	$90,617
Reclassification adjustments to profit or loss	693	910	7,372
Amount before income tax effect	9,211	2,457	97,989
Income tax effect	(3,264)	(527)	(34,723)
Total	5,947	1,930	63,266
Deferred gain on derivatives under hedge accounting:			
Losses arising during the year	(765)	(704)	(8,138)
Reclassification adjustments to profit or loss	1,074	1,346	11,425
Amount before income tax effect	309	642	3,287
Income tax effect	(126)	(379)	(1,340)
Total	183	263	1,947
Foreign currency translation adjustments —			
Adjustments arising during the year	1,851	(642)	19,691
Total	1,851	(642)	19,691
Share of other comprehensive income in associates:			
Gains arising during the year	70	34	745
Reclassification adjustments to profit or loss	16		170
Total	86	34	915
Total other comprehensive income	¥8,067	¥1,585	$85,819

23 Segment Information

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

1. Description of reportable segments

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

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

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

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

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

Effective April 1, 2012, as a result of the revision of Japanese corporate tax law, the Company and its domestic consolidated subsidiaries changed their depreciation method for property and equipment acquired on or after April 1, 2012 to the method stipulated under the revised corporate tax law. The effect of this change was immaterial.

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

	Millions of Yen				
	Reportable segment			Adjustments	Consolidated
Year Ended March 31, 2013	Customer finance	Asset finance	Total		
Revenues:					
Revenue from external customers	**¥ 558,339**	**¥ 139,816**	**¥ 698,155**		**¥ 698,155**
Intersegment revenue or transfers	**35**	**267**	**302**	**¥ (302)**	
Total	**558,374**	**140,083**	**698,457**	**(302)**	**698,155**
Segment profit	**45,680**	**21,423**	**67,103**	**(7,116)**	**59,987**
Segment assets	**2,538,507**	**1,493,042**	**4,031,549**	**146,235**	**4,177,784**
Other items:					
Depreciation	**11,074**	**60,771**	**71,845**	**417**	**72,262**
Amortization of goodwill	**2,918**		**2,918**		**2,918**
Investments in equity method affiliates	**10,848**	**7,365**	**18,213**		**18,213**
Increase in property and equipment and intangible assets	**526**	**136,656**	**137,182**	**2,828**	**140,010**

	Millions of Yen				
	Reportable segment			Adjustments	Consolidated
Year Ended March 31, 2012	Customer finance	Asset finance	Total		
Revenues:					
Revenue from external customers	¥ 572,325	¥ 152,286	¥ 724,611		¥ 724,611
Intersegment revenue or transfers	44	243	287	¥ (287)	
Total	572,369	152,529	724,898	(287)	724,611
Segment profit	42,478	17,738	60,216	(7,059)	53,157
Segment assets	2,406,422	1,150,442	3,556,864	125,435	3,682,299
Other items:					
Depreciation	11,380	70,966	82,346	444	82,790
Amortization of goodwill	2,918		2,918		2,918
Investments in equity method affiliates	9,296	6,309	15,605		15,605
Increase in property and equipment and intangible assets	589	78,829	79,418	2,992	82,410

	Thousands of U.S. Dollars				
	Reportable segment			Adjustments	Consolidated
Year Ended March 31, 2013	Customer finance	Asset finance	Total		
Revenues:					
Revenue from external customers	**$ 5,939,777**	**$ 1,487,404**	**$ 7,427,181**		**$ 7,427,181**
Intersegment revenue or transfers	**372**	**2,841**	**3,213**	**$ (3,213)**	
Total	**5,940,149**	**1,490,245**	**7,430,394**	**(3,213)**	**7,427,181**
Segment profit	**485,957**	**227,904**	**713,861**	**(75,702)**	**638,159**
Segment assets	**27,005,394**	**15,883,426**	**42,888,820**	**1,555,691**	**44,444,511**
Other items:					
Depreciation	**117,809**	**646,500**	**764,309**	**4,436**	**768,745**
Amortization of goodwill	**31,043**		**31,043**		**31,043**
Investments in equity method affiliates	**115,404**	**78,351**	**193,755**		**193,755**
Increase in property and equipment and intangible assets	**5,596**	**1,453,787**	**1,459,383**	**30,085**	**1,489,468**

Notes:

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

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

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

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

2) "Adjustments" for segment profit are adjusted to reach operating income in the consolidated statements of income.
3) "Increase in property and equipment and intangible assets" for Asset Finance does not include property and equipment of JSA and its subsidiaries amounting to ¥272,408 million ($2,897,957 thousand) as of the deemed acquisition date and related goodwill of ¥40,785 million ($433,883 thousand) due to the acquisition of all of the outstanding equity interests of JSA.

4. Information about products and services

	Millions of Yen				
	2013				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥546,626**	**¥85,022**	**¥35,593**	**¥30,914**	**¥698,155**

	Millions of Yen				
	2012				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥562,878	¥92,534	¥35,612	¥33,587	¥724,611

	Thousands of U.S. Dollars				
	2013				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$5,815,170**	**$904,489**	**$378,649**	**$328,873**	**$7,427,181**

5. Information about geographical areas
Revenues in Japan for the years ended March 31, 2013 and 2012 represented more than 90% of consolidated revenues. Accordingly, information on revenues for geographical areas is not required to be disclosed.

Tangible leased assets and property and equipment

Millions of Yen					
2013					
Japan	North America	Europe/Middle and Near East	Asia/Oceania	Other	Total
¥453,286	**¥75,819**	**¥153,230**	**¥79,232**	**¥18,213**	**¥779,780**

Millions of Yen					
2012					
Japan	North America	Europe/Middle and Near East	Asia/Oceania	Other	Total
¥439,451	¥7,980	¥9,195	¥22,112	¥1,540	¥480,278

Thousands of U.S. Dollars					
2013					
Japan	North America	Europe/Middle and Near East	Asia/Oceania	Other	Total
$4,822,191	**$806,585**	**$1,630,106**	**$842,894**	**$193,756**	**$8,295,532**

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

	Millions of Yen				
	2013				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**¥ 2,918**		**¥ 2,918**		**¥ 2,918**
Unamortized balance of goodwill	**37,580**	**¥40,785**	**78,365**		**78,365**

	Millions of Yen				
	2012				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 2,918		¥ 2,918		¥ 2,918
Unamortized balance of goodwill	40,498		40,498		40,498

	Thousands of U.S. Dollars				
	2013				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	$ 31,043		$ 31,043		$ 31,043
Unamortized balance of goodwill	399,787	$433,883	833,670		833,670

24 Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
For the year ended March 31, 2013	Net income	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥36,039**	**888,595**	**¥40.56**	**$0.43**
Effect of dilutive securities:				
Warrants		**2,290**		
Diluted EPS				
Net income for computation	**¥36,039**	**890,885**	**¥40.45**	**$0.43**

	Millions of Yen	Thousands of Shares	Yen
For the year ended March 31, 2012	Net income	Weighted-average shares	EPS
Basic EPS			
Net income available to common shareholders	¥34,641	894,723	¥38.72
Effect of dilutive securities:			
Warrants		1,665	
Diluted EPS			
Net income for computation	¥34,641	896,388	¥38.64

Shares and per share figures have been restated, as appropriate, to reflect a ten-for-one stock split effective April 1, 2013.

25 Subsequent Event

a. On May 15, 2013, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Cash dividends of ¥34 ($0.36) per share	**¥3,021**	**$32,138**

b. The Company executed a stock split effective April 1, 2013, according to the resolution of the Board of Directors' meeting on December 20, 2012. The Company also amended the share units from 10 shares to 100 shares effective April 1, 2013. Details of the stock split were as follows:

Method of the stock split
Each share of common stock held by shareholders recorded on the register of shareholders as of March 31, 2013, was split into 10 shares.

Increase in the number of shares due to the stock split
Common stock 806,250,744 shares

Per share data have been restated, as appropriate, to reflect a ten-for-one stock split effective April 1, 2013.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of Mitsubishi UFJ Lease & Finance Company Limited and its consolidated subsidiaries as of March 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi UFJ Lease & Finance Company Limited and its consolidated subsidiaries as of March 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2013

Member of
Deloitte Touche Tohmatsu Limited

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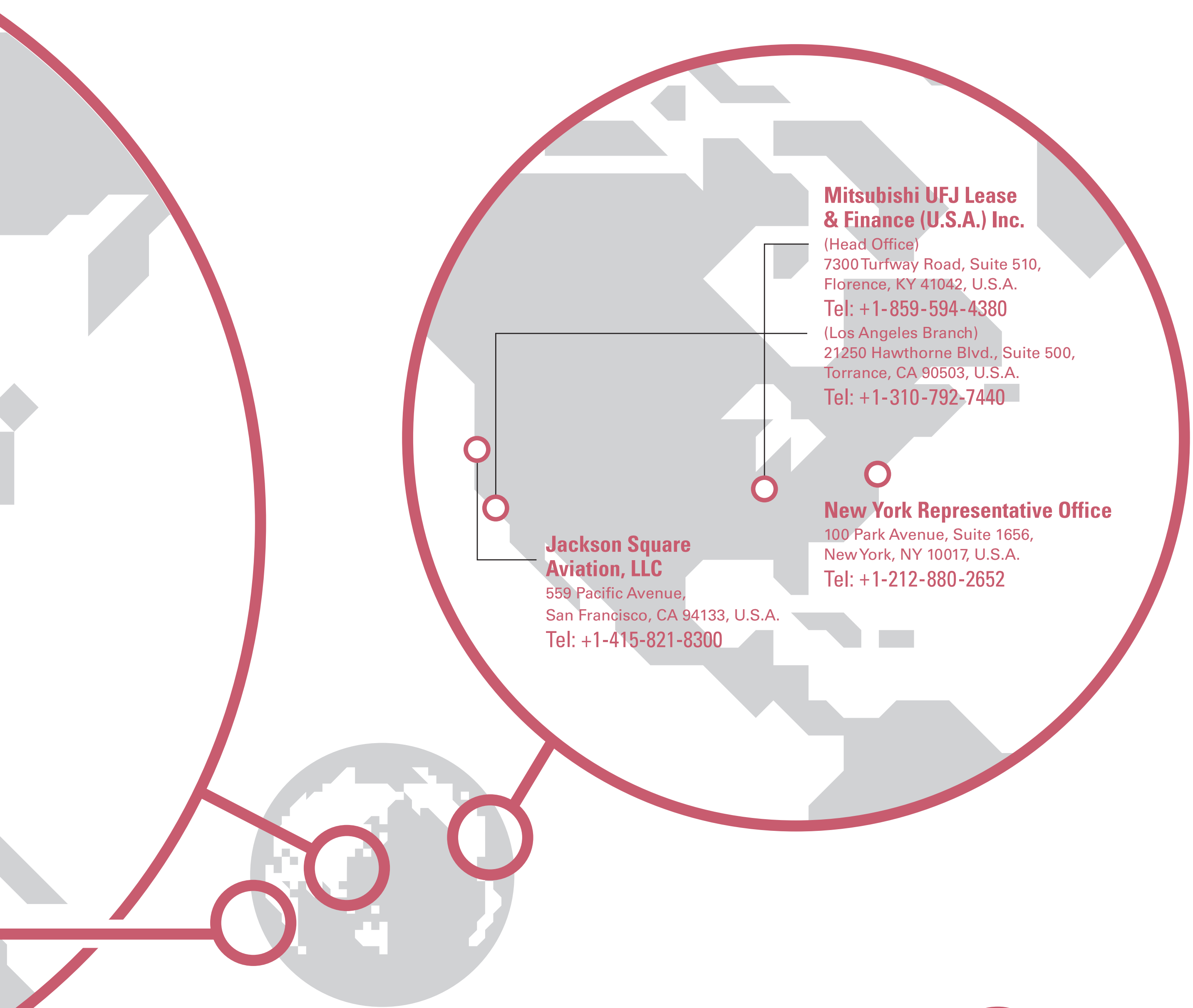
- Ikebukuro Branch
- Tachikawa Branch
- Yokohama Branch
- Kariya Business Department
- Hokuriku Branch
- Gifu Branch
- Hamamatsu Branch
- Shizuoka Business Office
- Numazu Branch
- Yokkaichi Branch
- Osaka Office
- Kyoto Branch
- Kobe Branch
- Okayama Branch
- Shikoku Branch
- Hiroshima Branch
- Kyushu Branch
- Minami Kyushu Business Office



Asia

United States

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

Rental business

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

Real estate-related business

- Central Compass Co., Ltd.
- Diamond Asset Finance 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

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-Kyushu 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 ISO 14001 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 ISO 14001 certification
March 2003	Acquired major share of Chukyo General Lease Co., Ltd.
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

MUFG Mitsubishi UFJ Lease & Finance

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.
January 2013	Acquired all equity interests of JSA International Holdings, L.P., which owns aircraft leasing companies such as Jackson Square Aviation, LLC

Corporate Data

(as of March 31, 2013)

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 Tel: +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: 7,127 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: 2,402, Parent: 1,237
Fiscal Year	April 1 to March 31
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Auditor	Deloitte Touche Tohmatsu Limited

Principal Shareholders

Shareholder Name	Number of Shares Held (thousands)	Ownership (%)
Mitsubishi Corporation	17,918	20.00
Mitsubishi UFJ Financial Group, Inc.	9,324	10.40
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,448	6.08
Japan Trustee Services Bank, Ltd. (trust account)	3,784	4.22
Meiji Yasuda Life Insurance Company	3,089	3.44

Mitsubishi UFJ Lease & Finance Company Limited

Shin-Marunouchi Building, 5-1, Marunouchi 1-chome,
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