Mitsubishi UFJ Lease & Finance Company Limited

ANNUAL REPORT 2007

For the Fiscal Year Ended March 31, 2007

Crafting Quality Financial Services

Mitsubishi UFJ Lease & Finance Company Limited was launched in April 2007 following its formation through a merger. The Company will target a leading position in the leasing and financing markets, drawing on one of Japan's largest operating bases to leverage market advantages and provide high-quality services.

Total Revenues: **¥1,031** billion

Total Assets: **¥3,800** billion

Employees: **2,193**

(Note)
Total revenues are the sum of the former Diamond Lease Company Limited (DL) and the former UFJ Central Leasing Co., Ltd. (UFJCL) for the year ended March 31, 2007, while the figures for total assets and number of employees are the sum of the two former companies as of March 31, 2007.

Value Integrator

This catchphrase encapsulates Mitsubishi UFJ Lease & Finance's philosophy of creating new value by using leasing and financing as the means to **integrate** the respective current **values** of its tangible and intangible assets.

The merger of the former Diamond Lease Company Limited (DL) and the former UFJ Central Leasing Co., Ltd. (UFJCL) gives birth to one of Japan's largest leasing companies with a customer base of 92,000 companies.

Customers: 92,000 companies

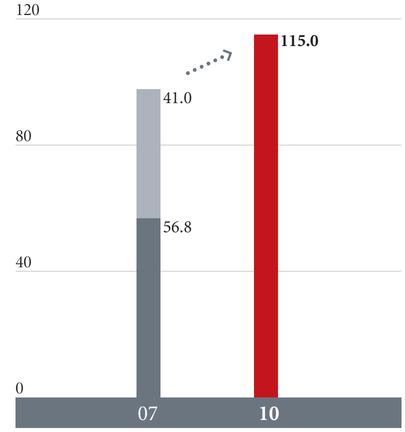
Note: Sum of the two companies' clients on an individual basis as of March 31, 2006.

The two merging companies each have customer bases and marketing regions that complement one another.
The former Diamond Lease Company Limited (DL) is strong in leases to large companies in Tokyo, while the former UFJ Central Leasing Co., Ltd. (UFJCL) excels in leases to small and medium-sized enterprises in the Chukyo region.

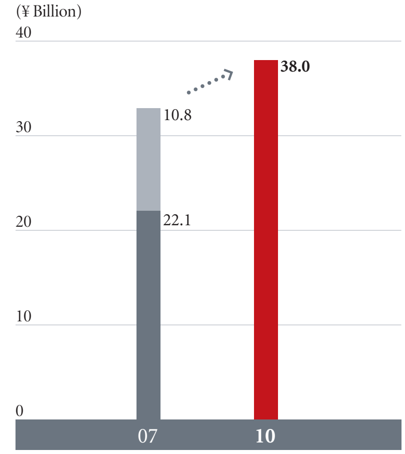
New Business Target

- Mitsubishi UFJ Lease & Finance Company Limited
- The former Diamond Lease Company Limited (DL)
- The former UFJ Central Leasing Co., Ltd. (UFJCL)

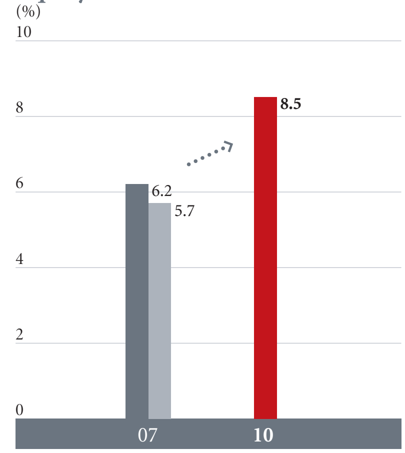
Gross Profit
(¥ Billion)



Net Income
(¥ Billion)



Equity Ratio
(%)



Delivering Optimal Solutions to Customers

Mitsubishi UFJ Lease & Finance is aiming to become a full-line financing company by combining its leasing and financing operations while developing and supplying high value-added products to offer optimal solutions to its customers.

Contents

Forward-Looking Statements

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

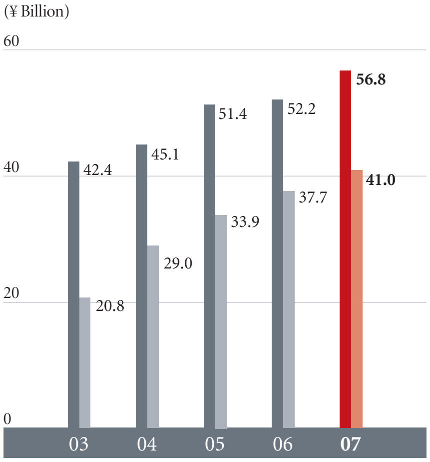
Financial Highlights

	The former Diamond Lease Company Limited (DL) and its consolidated subsidiaries Years Ended March 31, 2007 and 2006			The former UFJ Central Leasing Co., Ltd. (UFJCL) and its consolidated subsidiaries Years Ended March 31, 2007 and 2006		
	Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007	2007	2006	2007
For the Year:						
Total revenues	¥ 517,430	¥ 524,157	$ 4,385,000	¥ 513,438	¥ 509,043	$ 4,351,170
Gross Profit	56,758	52,206	481,000	40,977	37,744	347,263
Net income	22,064	21,136	186,983	10,827	11,321	91,754
At year-end:						
Total assets	¥2,380,468	¥1,825,087	$20,173,458	¥1,419,634	¥1,349,078	$12,030,797
Equity	154,268	130,187	1,307,356	85,322	72,455	723,068
Number of shares of common stock outstanding (thousands)	56,953	56,955		23,338	23,338	
Per share of common stock:	Yen		U.S. Dollars	Yen		U.S. Dollars
Basic net income	¥ 387.41	¥ 370.03	$ 3.28	¥ 463.90	¥ 491.24	$ 3.93
Cash dividends applicable to the year	40.00	36.00	0.34	40.00	35.00	0.34
Ratios:	%			%		
Return on equity (ROE)	15.9	17.9		14.2	19.7	
Return on assets (ROA)	1.0	1.2		0.8	0.9	
Equity ratio	6.2	7.1		5.7	5.4	

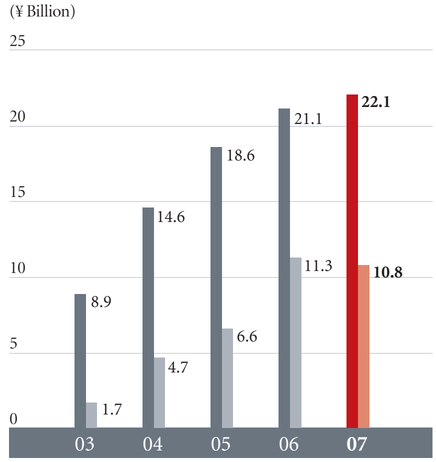
Note: The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥118= U.S.$1 prevailing on March 31, 2007.

Formerly DL
Formerly UFJCL

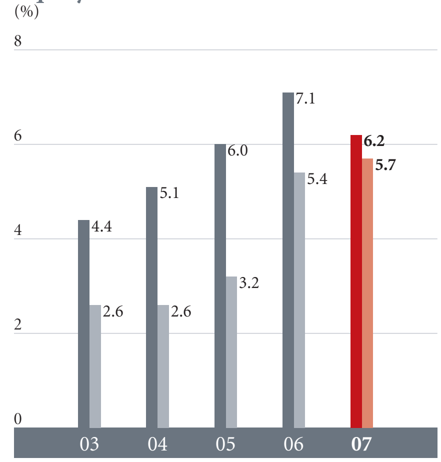
Gross Profit
(¥ Billion)



Net Income
(¥ Billion)



Equity Ratio
(%)



To Our Stakeholders

Kazuyoshi Tanaka, Chairman (Left) and Naotaka Obata, President & CEO

Against the backdrop of the ongoing convergence of financial services and the business value chain in the Japanese commercial finance market, the financial needs of customers are becoming increasingly diversified and sophisticated in the face of business globalization. Aiming to stay ahead of these changes and to achieve further growth by capitalizing on all of our strengths, we started a new company under the name Mitsubishi UFJ Lease & Finance Company Limited on April 1, 2007.

Becoming an Industry-leading "Comprehensive Finance Company"

Mitsubishi UFJ Lease & Finance Company Limited amalgamated the former Diamond Lease Company Limited ("DL") and the former UFJ Central Leasing Co., Ltd. ("UFJCL"). Our aim is to become an industry-leading "comprehensive finance company," by providing clients with a wide range of sophisticated services. We will leverage the convergence of customer bases, expertise, products and other strengths of both companies, and in doing so transcend the boundaries of conventional leasing companies.

The former DL and the former UFJCL were active in not just the conventional finance lease business but also the realization of advanced business approaches in real estate leasing, web-based transactions, and environment-related businesses. The new company is also committed to strengthen, in the lease-related finance segment, property-oriented financial services including operating leases and rental operations. In non-leasing segments, we will step up our focus on factoring, real estate-related finance, the PFI business, and trading of used equipment, among other businesses.

Further, Mitsubishi UFJ Lease & Finance will enhance capabilities in product creation, proposals, and procurement to meet customers' ever-diversifying financial needs, and will also intensively develop high-caliber human resources to support these capabilities. Through the provision of optimal solutions to customers in a wide array of financial services, we will continue to improve our corporate value, and thereby secure a top-tier position in the commercial finance market.

The Former DL and the Former UFJCL Post Strong Results

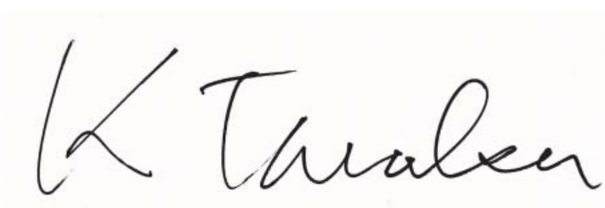
Here, financial results for the fiscal year ended March 31, 2007 shall be discussed by referring individually to the results of the former DL and the former UFJCL. Both the former companies turned in good performances driven by the successful promotion of proposal-based sales that offered a wide range of financial products to meet increasingly diversified and sophisticated customer needs.

The former DL reported consolidated revenues of ¥517,430 million, down 1.3% year on year, gross profit of ¥56,758 million, up 8.7%, and operating income of ¥32,933 million, up 14.3%. Although financial expenses grew by 49.3% year on year—reflecting an increase in procurement volume in tandem with business expansion and a rise in market interest rates—gross profit rose 8.7% owing to the former DL's sales efforts focused on profitability, which well-absorbed the growth in financial expenses.

New assets acquired climbed by 40.3% to ¥1,234,374 million, with the lease segment marking 7.1% year-on-year growth and the loans and others segment recording a 61.6% increase, driven primarily by real estate-related finance and factoring transactions.

The former UFJCL reported operating revenues of ¥513,438 million, up 0.9% year on year, gross profit of ¥40,977 million, up 8.6%, and operating income of ¥22,148 million, up 18.4%. As a result of efforts to enhance earnings power and solidify the management structure based on initiatives developed as part of the company's three-year medium-term management plan, which ended on March 31, 2007—the former UFJCL successfully increased gross profit by 8.6% over the previous year. This outweighed the negative impact of financial expenses, which rose 14.7% year on year. In addition, new assets acquired rose 4.9% to ¥530,901 million, with loans, including real estate-related finance and loans, marking ¥55,138 million, up 119.4% year on year.

Mitsubishi UFJ Lease & Finance will endeavor to provide optimal solutions for our customers by fully capitalizing on merger synergies as quickly as possible and thereby sustain the growth of our corporate value. At the same time, we are determined to contribute to the development of communities through legally compliant and environmentally sound business practices. We would like to ask for your continued support and guidance.



Kazuyoshi Tanaka,
Chairman

Naotaka Obata,
President & CEO

Delivering Optimal Solutions to Customers

Mitsubishi UFJ Lease & Finance Company Limited will be defined by three keywords: dominance, quality and value.

Dominance

The recent merger that resulted in Mitsubishi UFJ Lease & Finance has garnered the company a top-level industry position on a number of fronts, including business scale, products and services. In this interview, we explore the ways in which Mitsubishi UFJ Lease & Finance plans to utilize and promote strategies around the superior advantages it now has.

Q1 The birth of Mitsubishi UFJ Lease & Finance has brought with it one of the top economies of scale in the industry. How do you intend to take advantage of this?

If we simply add up the fiscal 2006 results of both pre-merger companies, we recorded total revenues of ¥1,031 billion, ¥32.9 billion in net income, and had total assets in the order of ¥3,800 billion. What these figures show is the substantial influence we now wield as one of the industry's most prominent firms. Ratings agencies have also given us high marks. We expect this to work to our advantage with regard to financial strategies, thanks to the stable procurement of low-interest funds and other benefits that these ratings afford us.

Leveraging the strengths of both pre-merger companies, Mitsubishi UFJ Lease & Finance will offer a diverse array of high-quality services by integrating their respective expertise and product lineups. This step will be critical to allowing us to bring our powerful competitive strengths to bear in the leasing industry as we go forward. Thanks to the merger, we now have a portfolio of Group companies with diverse functions and characteristics. Establishing organic ties among these functioning subsidiaries will enable Mitsubishi UFJ Lease & Finance to be highly competitive and carve out a dominant presence. I believe such synergies will evolve into a major driving force as we look to become Japan's top comprehensive finance company.

Q2 Given Mitsubishi UFJ Lease & Finance's new customer base, products and services, what specific advantages will allow the company to expand its business base?

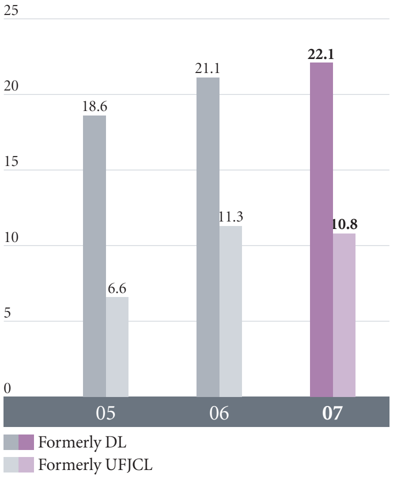
In terms of customers, the former DL's strength was with major firms in the Tokyo metropolitan area, while the former UFJCL's was among small and medium-sized enterprises in Nagoya and the surrounding region. The fact that these characteristics will now mutually complement one another with respect to our customer base and sales regions is one of the most significant benefits of the merger. At March 31, 2006, the former DL and the former UFJCL counted a total of roughly 95,000 client firms on an individual basis. Of these firms, only around 3,000 were customers of both the former DL and the former UFJCL. Put differently, about 92,000 of these firms were exclusive clients of one or the other of the two companies, which is why the merger has given us such a high potential for complementing their respective strengths. This number increases further if Group company customers are added.

Similarly, another important point was complementary products and services. Take operating leases*, for example. While both companies handled this product, the former DL's strength was in industrial machinery, particularly semiconductor production equipment, while the former UFJCL was especially strong in machine tools. In auto leases, both companies operated subsidiaries in this field (Diamond Auto Lease Co., Ltd. and Central Auto Leasing Co., Ltd.). The former DL also had a subsidiary (Diamond Rental System Co., Ltd.) involved in PC rentals. The merger has dramatically broadened the number of operating leases we handle, which in turn will further enhance our business functions.

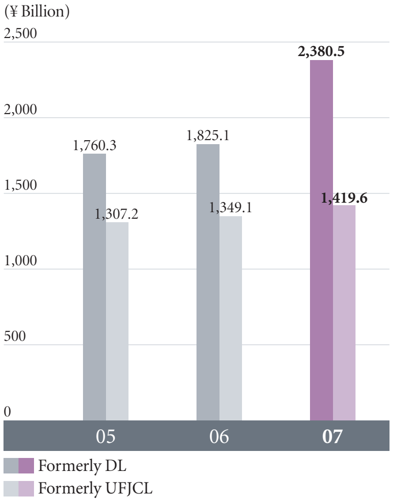
In addition to sound relationships with banking institutions, Mitsubishi UFJ Lease & Finance also works through trading company channels. This "hybrid" strength, if you will, is one that we plan to leverage to optimal effect as we aim for sustainable growth as a comprehensive finance company. Already, the combination of mutual expertise, along with the advantages of an enlarged client base, has made it possible for the new company to provide a diverse array of products and services.

* Refers to lease transactions whereby leasing fees are set based upon an amount calculated by subtracting a prior estimate of the used value (or residual value) of the lease asset once its lease has expired, from the asset's original value.

Net Income



Total Assets



In this section, we discuss the new company's objectives and its vital strategies, including key business fields and initiatives for achieving its goals.

Q1 What specific numerical targets have been set for your medium-term business plan scheduled to run through the year ending March 31, 2010?

One target is ¥115 billion or more in consolidated gross profit. While retaining a focus on profitability, we aim to meet this goal by expanding our business base, and through the stable procurement of low-interest funds thanks to proper Asset Liability Management (ALM).

Another goal is consolidated net income of ¥38 billion or more. Here, our plan is to consistently raise both net income per share and equity per share through extensive management of receivables and low-cost operations on a Group-wide basis. These steps should lead to growth in corporate value.

We have set a consolidated equity ratio target of at least 8.5%. Keeping shareholders' equity at an adequate level is critical when developing diverse businesses. Enhancing equity will enable us to forge a system capable of actively assuming risk in fields difficult for the banking sector to enter. This position, in turn, will allow us to develop new products and enter new businesses. Developing new products and services distinct to Mitsubishi UFJ Lease & Finance will enable us to consider cooperative ventures with banks. An improved equity ratio is also important to maintaining our high credit ratings.

As we speak, we are pursuing initiatives for meeting these targets ahead of schedule and for exceeding them altogether.

Q2 What types of measures are you considering for enhancing earnings power?

The most important theme for us is to take advantage of the expanded workforce, products and services, brands, risk-taking acumen and client base gained from the merger to offer the best solutions for meeting the increasingly diverse and sophisticated needs of our customers. By utilizing massive data on past lease properties and other means at our disposal, we intend to boldly exemplify the kind of flexibility that only a firm in the non-banking sector can.

In parallel, we will pursue new products and businesses by taking on businesses with inherent risk founded on proper risk management and bolstering our finance structuring capabilities. At the same time, we plan to consider external alliances and M&A opportunities as we promote asset management and other operations.

This will entail addressing five specific issues.

(1) Expand Real Estate Finance

The real estate finance business emerged in answer to Japan's dynamic real estate market, and mainly handles office, commercial and residential properties. Under strict risk management guidelines, we can issue non-recourse loans based on an evaluation of a property's earnings power without relying on individual or corporate creditworthiness. This business can also offer products such as mezzanine loans, which assumes risk in between finance and investment. By leveraging these qualities unique to the non-banking sector, our plan is to expand by enacting a variety of schemes that avoid competition with banks.

Over the years, Mitsubishi UFJ Lease & Finance has garnered a host of real estate information, channels and expertise from firms within the Mitsubishi Group. These resources will prove particularly useful in helping to manage asset risk as we accelerate efforts to securitize real estate properties.

(2) Full-spectrum Operating Leases

Operating leases will continue to underpin our lease-related operations. Here we handle products that have evolved into strengths for the former DL and the former UFJCL, most notably auto leases, PC rentals, the leasing of semiconductor production equipment and other industrial machinery, and machine tool leases. Alongside these products, we intend to strengthen financial services through a more in-depth understanding of lease asset qualities. We will do this by utilizing the enormous data collected by the former DL and the former UFJCL and honing specialist knowledge that encompasses a variety of different properties.

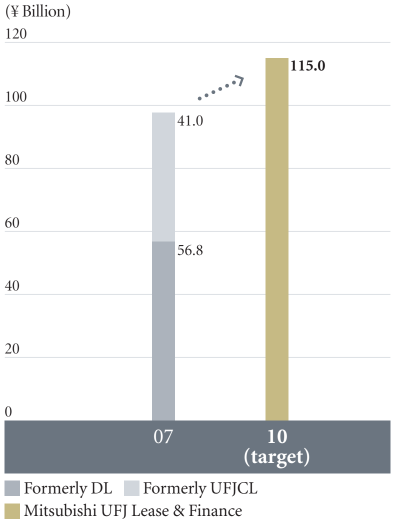
(3) Enhancing Initiatives in Environmental, Medical and Other Special Sectors

In the past, we have offered financial services to outstanding firms involved in waste management, recycling and other environmental fields. Going forward, we hope to contribute to the upgrade and expansion of such waste management functions for society at large by continuing to provide these services. In the coming years, we are also looking to further reinforce our ESCO business* to offer services that will help to mitigate environmental impact.

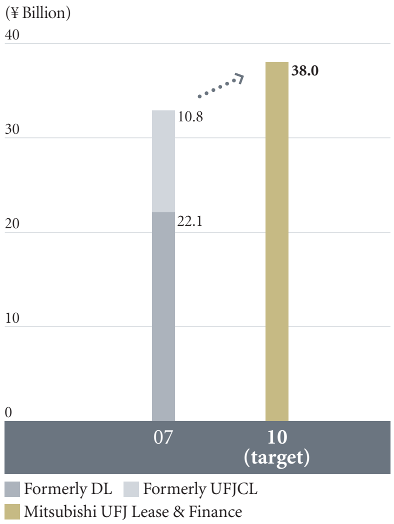
In the medical field, Mitsubishi UFJ Lease & Finance enjoys a legacy of distinctive sales activities long backed by infrastructure that includes a scoring system designed specifically for medical institutions and a dedicated medical fee factoring system. We are also expanding our business base through ties with medical equipment manufacturers. As we promote business development of this kind, we will take advantage of external resources as necessary to further entrench our services for the medical industry.

* Refers to a business that offers analysis and consulting services pertaining to energy-saving measures for an entire building, factory or other facility, as well as design and implementation of such measures, for the enactment of energy-saving programs. The business also guarantees energy reduction benefits.

Gross Profit



Net Income



(4) Strengthening Auto Leases

The realignment and merger of auto financing businesses by the Mitsubishi Group enabled us to acquire Mitsubishi Auto Leasing Corporation, MMC Diamond Finance Corporation and other firms as Group companies. As a result, the Mitsubishi UFJ Lease & Finance Group now has a commanding fleet of 300,000 vehicles at its disposal. We remain committed to sales activities that take advantage of a variety of sales channels and proprietary sales routes in the effort to expand business scope. Our approach will also consider M&As.

(5) New M&A Opportunities

As always, we will continue our aggressive pursuit of available M&A opportunities to build up new strategic businesses and expand existing ones.

Focused on these key areas, Mitsubishi UFJ Lease & Finance is promoting business with its customers' wide-ranging needs firmly in mind. For example, in addition to the aforementioned real estate-related financing, we are turning attention to a PFI business, and a business for the purchase and sale of previously owned machinery and equipment. PFI businesses involve an approach whereby private-sector funds and management know-how are brought to bear in a private-sector led effort to operate social infrastructure and public services in a more effective and efficient manner. The latter business, meanwhile, revolves around the purchase and sale of used machinery, equipment and other assets that are no longer needed, or for which leases have expired. These businesses represent areas where only the non-banking sector can operate, since banks are either prevented from doing so due to regulations or face risks that are difficult for banking institutions to assume. In both areas, Mitsubishi UFJ Lease & Finance has unrivaled advantages that we are determined to enhance further.

Q3 In your view, what points will be vital to realizing the high-value-added services required for Mitsubishi UFJ Lease & Finance to become a comprehensive finance company?

First and foremost, we have to upgrade and enhance our product lineup. We intend to offer multifaceted services by continuing to harness the respective strengths and systems of the former DL and the former UFJCL.

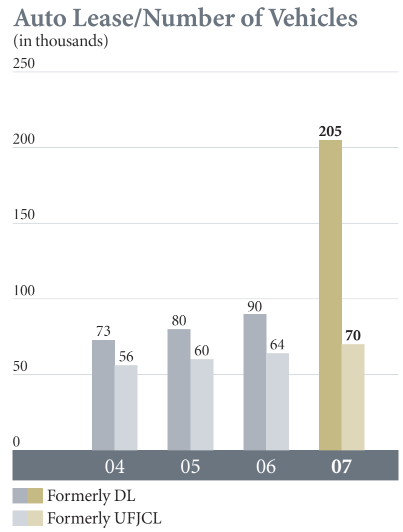
Because the former DL specialized in operations such as real estate-related finance, factoring that took advantage of specially tailored systems, and, through its affiliates, credit operations, non-leasing businesses have assumed a more prominent role in recent years. The company was also one of the first in the industry to launch Web-based lease services. The former UFJCL, for its part, focused on financial services centered on leasing. In addition to having one of the top shares for machine tool leases in the industry, the company also has a notable track record in the fields of civil construction machinery and medical equipment. Combining the product lines of these two companies has made it possible for us to provide our clients with a diverse range of financial services.

Another point will be to enhance structured finance as a way to procure funds through financial derivatives and other means. By developing new products and improving existing ones, we hope to create a variety of schemes to meet the broad needs of our clients. We plan to optimally leverage and strengthen the Group's accumulated expertise particularly in the use of structured finance schemes for the financing of large properties.

The Web-based leasing that the former DL began offering in 1999 can be thought of as another example of a high-value-added service. Our own service, "e-Leasing Direct," will enable customers to conduct the entire leasing process online, from the initial contract through to lease completion. The need for these services is high since Web-based transactions allow many properties to be efficiently managed at once. That is why strengthening our hand in this field is a key issue. Looking ahead, we will also take steps to create applications that answer customer needs as they arise.

Q4 Please tell us your approach to workforce training, another one of the key issues you mentioned.

Whether it's raising productivity, offering high-quality services, or boosting operational efficiency, our workforce is the key to everything. Our capacity to assist customers and society, and to develop as a leading company in the leasing industry, rests on having talented personnel on staff. This is especially true when it comes to developing diverse services or the pursuit of better quality. Doing so will demand that Mitsubishi UFJ Lease & Finance evolve into a group composed of specialists operating in each of its respective fields. Besides steps to raise the bar in terms of business content, we will be expected to act with speed and innovation. This is why we are training personnel and establishing evaluation systems in ways that show an awareness and sensitivity to these demands.



Raising profitability through high-quality services rendered to clients, as well as boosting productivity levels within the Group, are both essential to growth in corporate value. In this section, we discuss some of Mitsubishi UFJ Lease & Finance's issues and initiatives in this area.

Q1 One issue for Mitsubishi UFJ Lease & Finance is management infrastructure reform, both from the perspective of maximizing consolidated profits through tighter Group ties, and achieving sustainable growth. What specific measures do you have in mind?

The merger has dramatically increased the number of Group companies. Each of these companies has a different mission and different characteristics. Establishing organic ties between them to improve Group performance is vital. In this regard, we must ensure that each one can compete in its respective industry to steadily raise earnings as planned.

At present, there are a number of themes we need to implement, including business process streamlining and screening process reform. This situation prompted us to establish a new Affiliated Company Department as a section dedicated to promoting stronger Group management. We also plan to push forward with unifying initial collection notices and accounting, systems and recruitment, and other tasks throughout the Group, as we promote stronger steps to consolidate administrative work. Rationalization and efficiency of this kind will inevitably lead to lower costs across the Group.

Q2 Please tell us about your use of the "Balanced Scorecard," or BSC.

The ability of the entire Group to steadily achieve the strategic benchmarks outlined in our business plans will require us to do two things. First, we must cultivate a common identity by organically integrating all company strategies with those of each department and sales office. These departments and sales offices, in turn, must then explicitly implement this identity. BSC is a management tool that we use for building the framework to do this.

We will continue to promote BSC as adopted by the former DL, meaning that personnel in charge of each department will commit themselves to implementing our strategies and initiatives, and to meeting numerical targets. Ultimately, the goal is to develop a framework that enables us to smoothly implement business plans by imparting to all employees a greater awareness of the role that each personally plays in the Group's strategies.

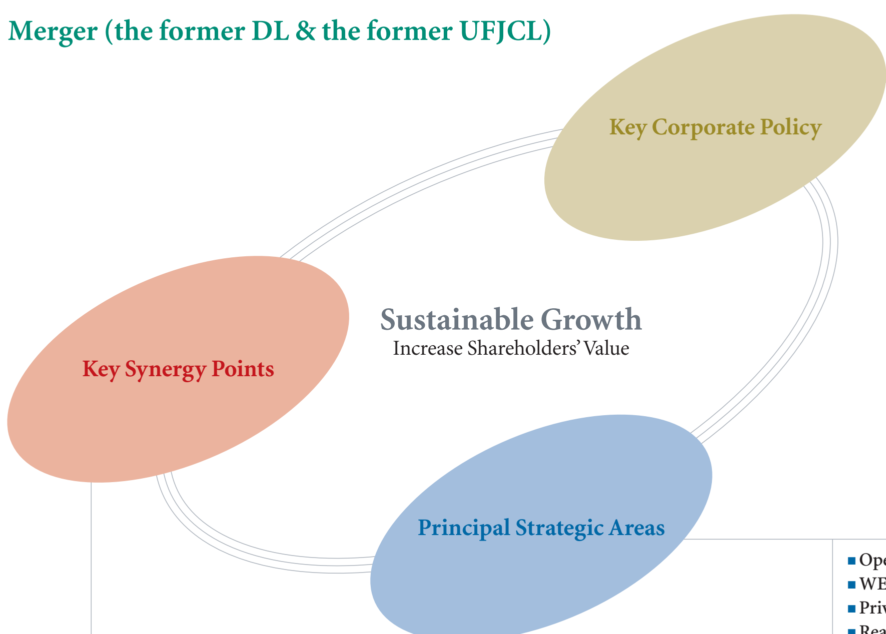
*BSC: Refers to a strategic management system whereby the corporate vision and strategies are translated into actions for implementation by business units. The growth potential and competitiveness that the company acquires will better enable it to survive in its industry.

Q3 Sustainable growth is also important to maximizing shareholder value. What are your views on this?

Consistent increases in net income per share and equity per share have a strong bearing on growth in corporate value. In fiscal 2006, the former DL and the former UFJCL posted a combined total of ¥32.9 billion in consolidated net income. In fiscal 2009, we aim to raise that figure to ¥38.0 billion or more. Also, the former DL had a consolidated equity ratio in fiscal 2006 of 6.2%. Again, in fiscal 2009, we are looking for an equity ratio of at least 8.5%.

A trusted name and the capacity to procure funds are important elements for any finance company. Credit ratings from outside ratings agencies are a major factor and the equity ratio is a crucial indicator when it comes to maintaining high credit ratings. Similarly, in tackling the risks associated with businesses that only the non-banking sector can offer, without a high equity ratio, the ability to assume certain risks becomes impossible. This is why raising the equity ratio is indispensable to promoting business, and why it can contribute so powerfully to growth in corporate value, as well as efforts to maximize shareholder value.

Merger (the former DL & the former UFJCL)



- **Strengthen Profitability**
  Take risk flexibly as a non-bank
  Develop new business areas
- **Innovate Corporate Infrastructure**
  Maximize consolidated profit through control group companies strategically.
  Utilize the Balanced Scorecard
- **Fulfill Corporate Trust**
  Respect all stakeholders
  Reinforce Internal Control
- **Human Resource Development**
  Training focusing on expertise
  Performance-linked evaluation system

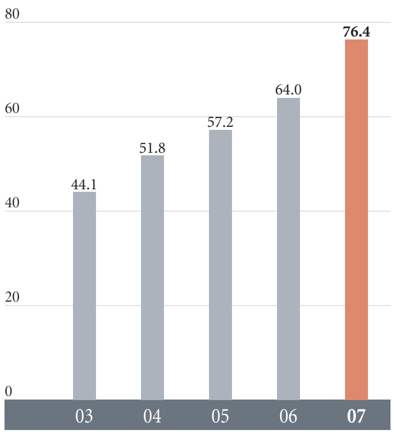
- Operating Lease/Rental
- WEB related services
- Private Finance Initiatives (PFI)
- Real Estate Finance
- Trading Used Equipment
- Eco-Finance
- Medical Finance
- International Business
- Structured Finance
  Utilize various type of transaction schemes
- Auto Lease/Auto Finance
- System Integration/
  Application Service Provider (ASP) Business.
- IT related total services
  (software license administration, Data Erase, Disposal etc.)

- Expand Customer Base
  Limited number of overlapped customers
- Full Line-up of Products
  Various financial and trading services
- Funding Synergy
  Positively evaluated by rating agency
- Same Mainframe System
  System will be integrated smoothly

Review of Operations

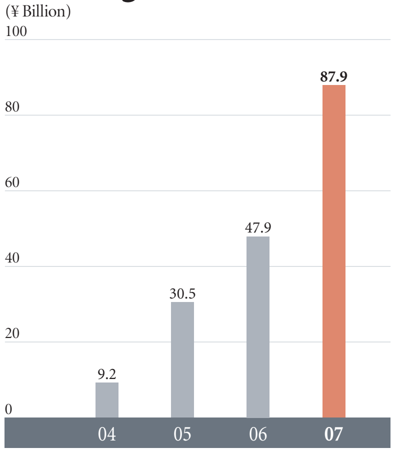
Formerly DL

SYMPHONY Outstanding



Shonan MALL FILL (Kanagawa pref.), a *SYMPHONY* lease facility

e-Leasing Direct Receivables



Formerly DL

At the former DL, the consolidated volume of new contracts during the fiscal year ended March 31, 2007 was ¥1,234.3 billion, an increase of 40.3% compared with the previous fiscal year. By segment, the leasing business posted ¥299.0 billion, up 7.1% year on year, installment sales ¥134.6 billion, down 17.0% year on year, the loans business ¥661.0 billion, up 61.6% year on year, and other business ¥139.5 billion, up 376.5% year on year.

(1) Leasing Business

The total volume of new contracts for information equipment was ¥123.5 billion, up 1.7% year on year, and accounted for the largest share in the leasing business, followed by industrial machinery at ¥62.7 billion and commercial & service equipment at ¥30.4 billion.

Industrial machinery and construction machinery (¥6.9 billion) both showed significant growth in the volume of new lease contracts; their total of ¥69.6 billion represented an increase of 32.1% compared with the previous fiscal year.

The review of operations by business is as follows.

- *Operating Leases*
  Operating lease operations primarily deal with the leasing of industrial machinery including semiconductor equipment. Group company Diamond Auto Lease Co., Ltd. handles auto leasing and Diamond Rental System Co., Ltd. covers PC rentals. The consolidated volume of new contracts was ¥36.2 billion.
- *Real Estate Leases (SYMPHONY)*
  These operations lease facilities developed on land under commercial leaseholds. The types of leased facilities vary, ranging from shopping centers to logistics centers. This business is expected to continue to grow steadily. The balance at the end of the fiscal year under review was ¥76.4 billion (principal amount basis).
- ***e-Leasing Direct***
  e-Leasing Direct is the former DL's proprietary service that allows lease transactions via the Internet. The balance of receivables at the end of the fiscal year under review was ¥87.9 billion.

(2) Installment Sales Business

By item, industrial machinery accounted for ¥21.9 billion, commercial & service equipment ¥17.3 billion, and transportation equipment ¥15.6 billion of the total volume of new contracts in the installment sales business.

(3) Loans Business

Factoring and real estate-related finance were major driving forces in the loans business, posting ¥296.6 billion and ¥178.4 billion, respectively, in the volume of new contracts.

- *Factoring*
  Sales receivables and receivables for medical care fees are the primary targets of factoring operations. The former DL developed a proprietary system for factoring in 2002 and now enjoys significant competitive advantages, being almost the sole provider of this service. The balance at the end of the fiscal year under review was ¥85.3 billion.
- *Real Estate-related Finance*
  With the rise in the real estate market, real estate-related finance operations are growing. The former DL provides services that most banks do not offer, such as non-recourse loans and mezzanine loans. The balance at the end of the fiscal year under review was ¥475.8 billion.

Formerly UFJCL

At the former UFJCL, the consolidated volume of new contracts during the fiscal year under review was ¥530.9 billion, an increase of 4.9% compared to the previous fiscal year. By segment, the leasing business posted ¥390.0 billion, down 1.9% year on year, installment contracts ¥79.9 billion, down 4.0% year on year, the loans business ¥55.1 billion, up 119.4% year on year, and other businesses ¥5.7 billion.

(1) Leasing Business

Among the top items in the total volume of new contracts in the leasing business, information equipment was ¥91.4 billion, down 0.1%, commercial & service equipment was ¥68.8 billion, down 17.3%, and industrial machinery was ¥57.9 billion, down 5.9% year on year. Transportation equipment showed a significant growth rate, up 38.4% to ¥42.7 billion.

- *Operating Leases*
  Machine tools are the main items in operating lease operations. The total volume of new contracts during the fiscal year under review was ¥23.9 billion.
- *Real Estate Leases*
  Real estate lease operations focus on retail premise leases and boast over 500 premises nationwide. The balance at the end of the fiscal year under review was ¥58.4 billion (accounting basis).

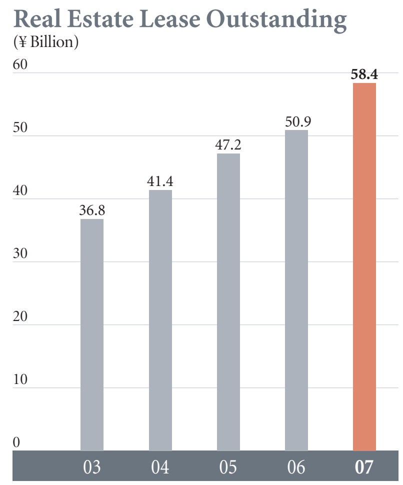
(2) Installment Contracts Business

The volume of new contracts in the installment contracts business was highest in commercial & service equipment (¥28.9 billion), followed by construction machinery (¥15.4 billion).

(3) Loans Business

In the loans business, the volume of new contracts in real estate-related finance operations was ¥13.7 billion. The former UFJCL has been a pioneer and leading practitioner in the PFI (Private Finance Initiative) business, a distinctive operation in this field.

Formerly UFJCL



The Kochi Power Center, a real estate lease mall

Elementary and junior high school at Kurokawa (Kawasaki City), built through PFI (artist's rendering)

Corporate Governance

Mitsubishi UFJ Lease & Finance recognizes that the execution of transparent and sound corporate management is an essential element of corporate social responsibility (CSR). Therefore, the Company focuses on enhancing corporate governance by constantly implementing and reviewing new initiatives. These include further activating the Board of Directors, strengthening the functions of the Audit Committee and internal audit system, ensuring the timely disclosure of all necessary information, and bolstering investor relations. These actions ensure that the Company respects the rights and interests of all stakeholders and establishes satisfactory relations with them.

Internal Control Systems

The Company is working to establish and properly manage internal control systems to promote compliance with all necessary laws and regulations and to conduct transparent and fair corporate activities.

Important matters regarding corporate management are decided by the Board of Directors. To ensure transparency, as well as effective oversight by the Board of Directors, 5 members of the 16-member Board are from outside the Company. Further, the Management Committee deliberates on and decides matters related to management control of the business that the Board of Directors decides to execute.

Five of the eight members of the Audit Committee are from outside the Company. The Internal Audit Department conducts audits and provides opinions or guidance, as necessary, in accordance with the "Rules for Internal Audit" and the "Annual Audit Schedule."

Compliance

Compliance System

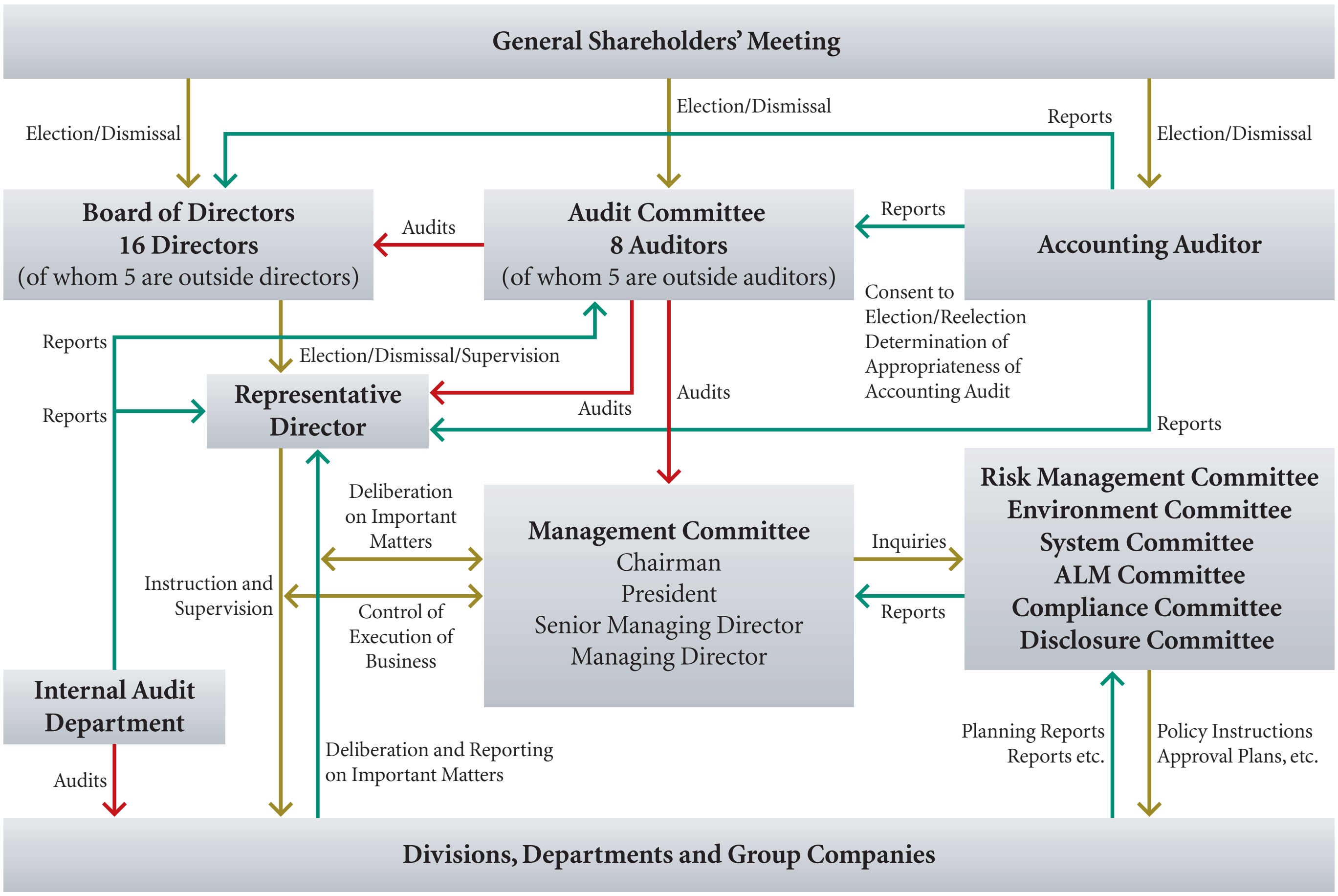
At Mitsubishi UFJ Lease & Finance, compliance is regarded as one of the most important issues for management. We therefore place top priority on strict legal and regulatory compliance in order to gain the trust of shareholders and society. The Compliance Committee meets every three months to review and assess current compliance practices and to discuss improving the compliance system. Reports are made to the Management Committee. To reinforce the internal checking system, a compliance hotline has been set up to facilitate reporting and consulting on compliance concerns under the newly established "Rules for Compliance Hotline."

We are committed to further enhancing compliance practices. We distribute to all employees and officers copies of the "Code of Ethics and Guidelines for Business Conduct for the Mitsubishi UFJ Lease & Finance Group," which outlines basic values and ethics to be shared within the Group and defines basic guidelines for employees and officers of the Group, and the "Compliance Manual," which contains necessary information on ensuring compliance.

Systems Related to Risk Management

Fully recognizing the need for a process to control the various risks associated with our business operations, the Risk Management Committee meets every three months to regularly assess risk. The Committee receives reports from departments and branches on the current status of (i) overall risk management, (ii) quantified integrated risk management, (iii) credit risk including country risk, (iv) market risk, (v) liquidity risk of funds, (vi) asset risk, (vii) operational risk, and (viii) other risks that impact management, and to discuss countermeasures, as well as other matters.

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

Board of Directors, Corporate Auditors and Executive Officers

(as of June 30, 2007)

Board of Directors

Chairman	**Kazuyoshi Tanaka**
President & CEO	**Naotaka Obata***
Senior Managing Directors	**Masato Nanahara***
	Tokutaro Sekine*
	Tetsuo Komori*
	Kazuo Momose*
Managing Directors	**Yoshio Hirata***
	Kenichi Shimada*
	Sadao Akiyama*
	Masakazu Okabayashi*
	Riro Yoshida*
Directors	**Tadashi Ishikawa** Chairman of Toyota Industries Corporation
	Hideshi Takeuchi Executive Vice President of Mitsubishi Corporation
	Kimitoshi Sato Managing Executive Officer of Meiji Yasuda Life Insurance Company
	Takashi Yagi Member of the Board, Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.
	Takami Matsubayashi Senior Managing Director of Nagoya Railroad Co., Ltd.

Notes: 1. * indicate additional post of Director and Corporate Executive Officer.

2. Messrs. Tadashi Ishikawa, Hideshi Takeuchi, Kimitoshi Sato, Takashi Yagi and Takami Matsubayashi are outside directors defined in Article 2, Item 15 of the Corporation Act.

Corporate Auditors

Full-time Corporate Auditors	**Yuji Tatano**
	Kuniaki Takahashi
	Masatsugu Shirakura
Corporate Auditors	**Tatsunori Imagawa** Corporate Auditor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
	Syoji Tokumitsu President of Chukyo TV. Broadcasting Co., Ltd.
	Eisaku Maruyama Managing Executive Officer, The Dai-ichi Mutual Life Insurance Company
	Shinichiro Hayakawa Professor of University of Tokyo, Graduate School of Arts and Sciences
	Tetsuo Hachiro Chairman of M. U. Trust Apple Planning Company, Ltd.

Note: Messrs. Tatsunori Imagawa, Syoji Tokumitsu, Eisaku Maruyama, Shinichiro Hayakawa and Tetsuo Hachiro are outside auditors defined in Article 2, Item 16 of the Corporation Act.

Executive Officers

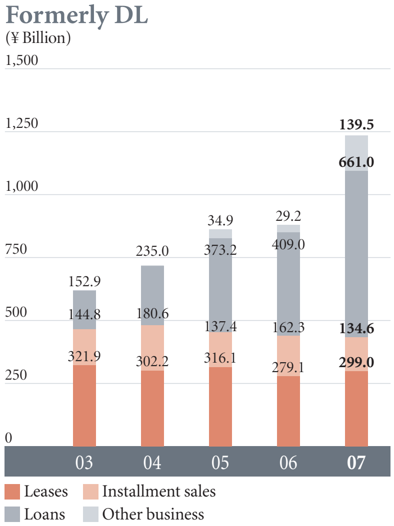
Senior Executive Officers	**Takashi Miura**
	Kazuyuki Kataoka
	Hideaki Ikehara
	Isao Nishiyama
	Yoshinobu Ushioda
	Makoto Tsuji
Executive Officers	**Hiromichi Kawai**
	Tamotsu Naito
	Kohji Tsuduki
	Tokutaro Yasuda
	Koji Saimura
	Takao Tomoto
	Hideki Urushibata
	Nobuhiro Nakagawa
	Hiroshi Kato
	Hiroshi Nagasawa
	Toshiyuki Takasaki
	Koichi Sakamoto
	Tetsuro Nishi
	Hiroshi Miyagawa
	Nobuyoshi Ishii
	Hiromasa Oda

Note: Corporate Executive Officer of the additional post of Director (ten people) is excluded.

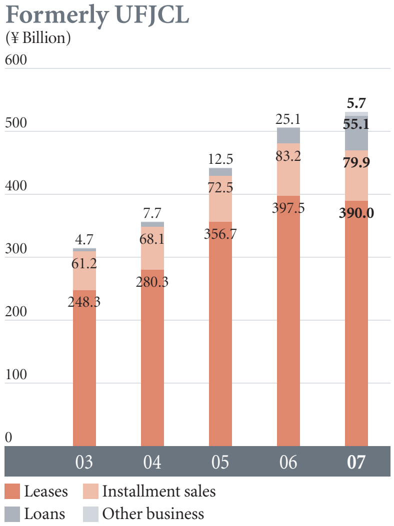
Financial Information

New Assets Acquired (Type of Transactions)

Formerly DL



Formerly UFJCL



Financial Analysis

Financial analyses for the fiscal year ended March 31, 2007 are shown here for the operations of the former Diamond Lease Company Limited (DL) and the former UFJ Central Leasing Co., Ltd. (UFJCL).

Formerly DL

Business Results

During the fiscal year under review, the former DL posted consolidated total new assets acquired (type of transactions) of ¥1,234.3 billion, an increase of 40.3% over the previous year. This was driven by the successful promotion of a value-added proposal-based sales approach that addressed customers' broad-based financial needs.

By segment, the lease business recorded a 7.1% year-on-year increase in new contracts to ¥299.0 billion, installment sales decreased by 17.0% to ¥134.6 billion, the loans business increased by 61.6% to ¥661.0 billion, and other business increased by 376.5% to ¥139.5 billion.

Total assets increased by ¥555.4 billion, or 30.4%, compared with the end of the previous fiscal year to ¥2,380.5 billion. This was a reflection of the steady increase in loans receivables and the addition of assets of ¥136.1 billion and ¥140.9 billion, respectively, of Diamond Asset Finance Company Limited (formerly Kyocera Leasing Company Limited), which became fully consolidated in August 2006, and MMC Diamond Finance Corporation, which became a subsidiary in February 2007.

Among the operating assets, net leased assets decreased by 1.2% year on year to ¥820.5 billion. Meanwhile, installment sales receivables (net of deferred installment credit profit) decreased 3.6% to ¥288.1 billion; loans increased by 96.3% to ¥901.9 billion; and other operating assets, such as trade financial securities, increased by 174.9% to ¥175.2 billion during the fiscal year.

Consolidated total revenues were ¥517,430 million, down 1.3% compared with the previous year. Revenues from the lease business were down 5.4% to ¥359,973 million, revenues from installment sales were up 0.5% to ¥118,461 million, and revenues from the loans and other businesses were up 51.6% to ¥38,996 million. In terms of earnings, despite higher procurement costs associated with increased market interest rates, due to the former DL's sales efforts emphasizing profitability and diversification, the company achieved appreciable results, with income before income taxes and minority interests up 19.8% to ¥36,695 million and net income up 4.4% to ¥22,064 million. At March 31, 2007, total equity stood at ¥154.3 billion with an equity ratio of 6.2%.

Financial Position

At March 31, 2007, cash and cash equivalents (collectively called "cash") totaled ¥8,617 million, an increase of ¥3,053 million, or 54.9%, compared with a year ago.

Operating activities used net cash of ¥256,694 million. Operating cash flows included cash outflows of ¥297,851 million for purchases of leased assets and ¥270,204 million associated with increases in installment sales receivables, loans and trade financial securities, against cash inflows of ¥36,695 million from income before income taxes and minority interests and ¥298,908 million from non-cash expenses relating to leased assets, specifically depreciation and amortization and disposal and sale.

Investing activities used net cash of ¥31,171 million, mainly to make Diamond Asset Finance Company Limited (formerly Kyocera Leasing Company Limited) a subsidiary.

Financing activities provided net cash of ¥290,888 million, the result mainly of cash inflows of ¥149,195 million from direct financing and ¥143,949 million from indirect financing.

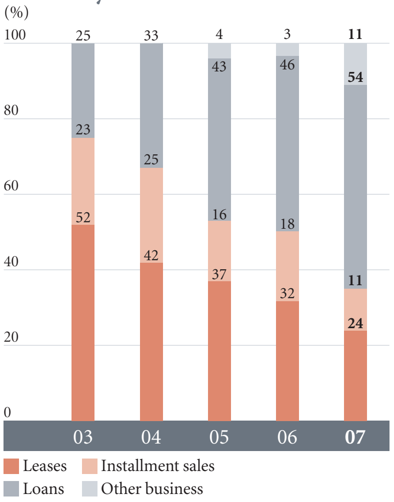
Dividend for the Fiscal Year

To aggressively address broad-based customer needs, the former DL will focus on strengthening the capital structure, and by leveraging that pursue continually stable corporate management. At the same time, we will promote corporate management where the various interests of stakeholders, including shareholders and customers, are fully considered, and we will consistently distribute dividends in balance with our policy of strengthening the capital structure.

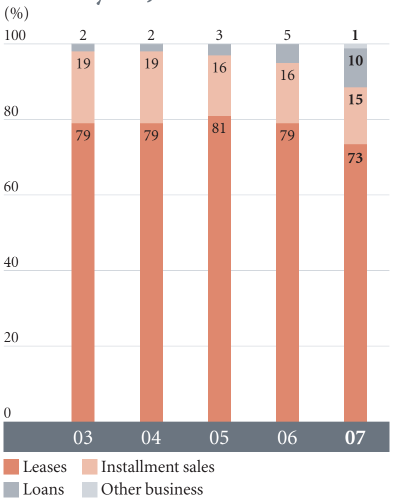
The year-end dividend payment to the former DL shareholders was set at ¥20 per share. The total annual dividend, including the interim dividend, applicable to the fiscal year was increased by ¥4 year on year to ¥40, meaning the former DL has increased dividends for eight years in a row.

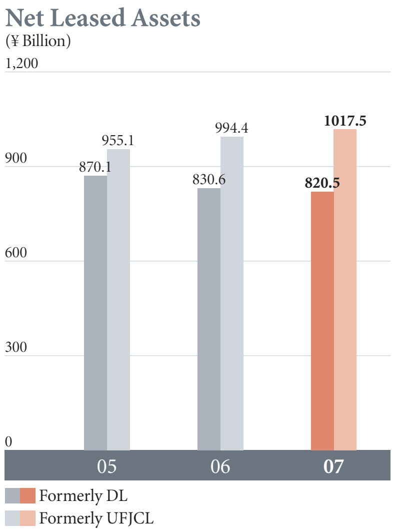
New Assets Acquired (Share by Type of Transactions)

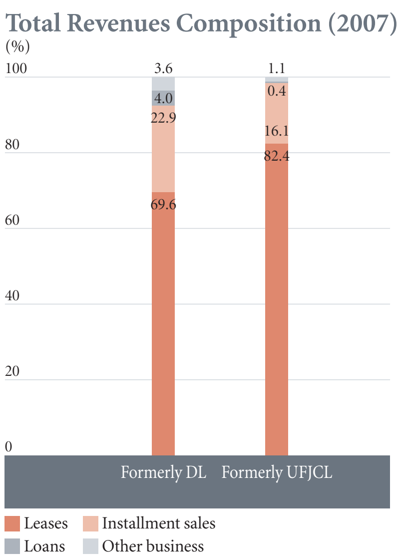
Formerly DL



Formerly UFJCL







Formerly UFJCL

Business Results

The former UFJCL achieved total new assets acquired (type of transactions) of ¥530.9 billion for the fiscal year ended March 31, 2007, up 4.9% over the previous year, and recorded ¥1,302.4 billion of total operating assets (net of deferred installment credit profit) as of March 31, 2007, up 5.1% year on year.

Consolidated operating revenues was ¥513,438 million, an increase of 0.9% year on year, due to higher revenues from lease transaction cancellations and the disposal of lease assets. Although income before income taxes and minority interests increased 10.9% to ¥20,967 million, reflecting an increase in operating assets and fee incomes, net income fell by 4.4% to ¥10,827 million, partly due to a one-time write-off of software associated with the corporate integration.

By segment, the leasing business saw an increase in leased assets of 2.3% year on year to ¥1,017.5 billion, and increases in operating revenues of 1.4% to ¥423.8 billion and operating income of 17.4% to ¥17,927 million. In the installment contract business, due to an increase in new receivables but progress collecting existing receivables, total installment contracts receivables (net of deferred installment credit profit) decreased by 0.4% year on year to ¥176.2 billion, and operating revenues were down by 5.5% to ¥82.5 billion, with operating income down by 21.6% to ¥3,057 million. In the loans business, which aggressively developed finance-related transactions during the term, total loan receivables increased substantially by 54.1% year on year to ¥101.2 billion, and operating revenues increased by 60.4% to ¥2,223 million, sending operating income to ¥765 million, up 93.9% over the previous fiscal year. For the other business segment, primarily trading of equipment and fee-based income, there was a 70.0% increase in operating revenues to ¥5,728 million and a 160.6% increase in operating income to ¥2,034 million.

Financial Position

At March 31, 2007, cash and cash equivalents totaled ¥8,689 million, an increase of ¥5,395 million compared with a year earlier.

Operating activities used net cash of ¥25,779 million, the result of purchases in leased assets outpacing their depreciation charges in tandem with steady growth of lease contracts, as well as an increase in trade receivables.

Investing activities used net cash of ¥5,385 million due to purchases of investment securities and an increase in loans to affiliated companies.

Financing activities provided net cash of ¥36,373 million through aggressive fund-raising activities, including issuing commercial paper and short-term loans.

Dividend for the Fiscal Year

The basic policy of the former UFJCL is to decide on the distribution of dividends based on earnings, while taking into account such factors as sustaining and steadily improving returns to shareholders, further strengthening the corporate structure so it can cope with changes in the economic environment, and enhancing internal reserves for future business development. Dividends are paid to shareholders of record on the last day of each interim term and the last day of each fiscal year.

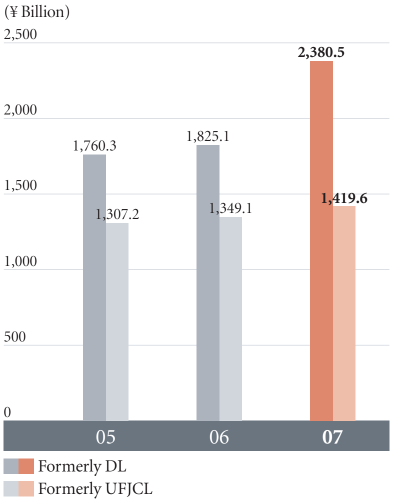
For the fiscal year under review, an interim dividend of ¥20 per share has already been paid and a distribution of another ¥20 per share was decided instead of a year-end dividend with a record date of March 31, 2007, making the annual dividend applicable to the fiscal year under review ¥40 per share, an increase of ¥5 over the previous year.

Prospects of the New Company

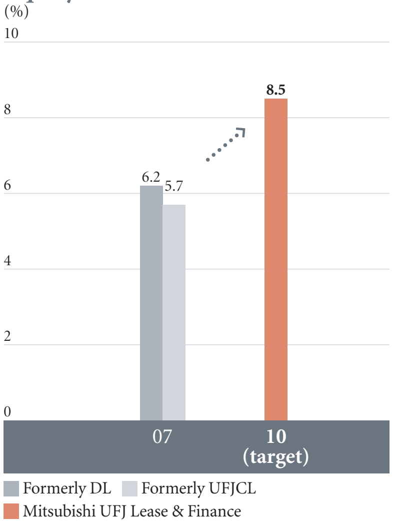
The new company, which started under the name Mitsubishi UFJ Lease & Finance Company Limited in April 2007, is determined to achieve the new medium-term goals as a united group.

While the Japanese economy is expected to remain on a recovery track, bolstered by domestic demand, including higher capital expenditures, we need to pay attention to such uncertain factors as rising market interest rates and the impact of overseas economic trends, including those in the United States. Under these circumstances, we will take various measures to realize merger synergies as soon as possible as we aim for sustained growth.

Total Assets



Equity Ratio



Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited (formerly Diamond Lease Company Limited) and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Assets			
Current assets:			
Cash and cash equivalents	¥ 8,617	¥ 5,564	$ 73,025
Time deposits other than cash equivalents	10	76	85
Marketable securities (Note 4)	23,663	2,995	200,534
Receivables (Note 14):			
Lease	26,805	29,793	227,161
Installment sales	327,000	334,662	2,771,187
Loans (Note 7)	901,859	459,531	7,642,873
Allowance for doubtful receivables	(4,437)	(3,284)	(37,601)
Inventories (Note 5)	2,289	2,482	19,398
Deferred tax assets (Note 15)	3,154	2,647	26,729
Prepaid expenses and other	42,098	17,481	356,762
Total current assets	1,331,058	851,947	11,280,153
Leased assets — At cost (Note 6)	2,154,699	2,172,410	18,260,161
Accumulated depreciation	(1,334,158)	(1,341,779)	(11,306,424)
Net leased assets	820,541	830,631	6,953,737
Advances for purchases of leased assets	4,051	5,247	34,331
Total leased assets	824,592	835,878	6,988,068
Investments and other assets:			
Investment securities (Note 4)	110,686	43,171	938,017
Investments in unconsolidated subsidiaries and associated companies	10,872	6,496	92,135
Investment in equity other than capital stock	46,267	36,748	392,093
Goodwill	13,028	3,751	110,407
Long-term receivables	4,475	9,314	37,924
Deferred tax assets (Note 15)	3,538	1,878	29,983
Other	28,356	29,301	240,305
Allowance for doubtful receivables	(1,044)	(1,452)	(8,847)
Total investments and other assets	216,178	129,207	1,832,017
Property and equipment — At cost	12,895	11,869	109,279
Accumulated depreciation	(4,255)	(3,814)	(36,059)
Net property and equipment	8,640	8,055	73,220
Total	¥ 2,380,468	¥ 1,825,087	$ 20,173,458

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Liabilities and Equity			
Current liabilities:			
Short-term borrowings (Notes 8 and 14)	¥1,168,420	¥ 894,070	$ 9,901,864
Current maturities of long-term debt (Notes 7, 8 and 14)	175,497	172,032	1,487,263
Payables — trade:			
Notes	11,149	15,263	94,483
Accounts	64,524	63,538	546,814
Accrued expenses	9,680	8,332	82,034
Income taxes payable	9,377	4,604	79,466
Deposits from customers	4,983	5,019	42,229
Deferred profit on installment sales	38,870	35,868	329,407
Other (Note 14)	26,112	12,066	221,288
Total current liabilities	1,508,612	¥1,210,792	12,784,848
Long-term liabilities:			
Long-term debt, less current maturities (Notes 7, 8 and 14)	689,952	454,664	5,847,051
Liability for retirement benefits (Note 9)	893	847	7,568
Deferred tax liabilities (Note 15)	953	1,016	8,076
Other	25,790	24,720	218,559
Total long-term liabilities	717,588	481,247	6,081,254
Minority interests		2,861	
Commitments and contingent liabilities (Notes 10, 16 and 17)			
Equity (Notes 11 and 19)**:**			
Common stock — authorized, 180,000,000 shares; issued, 56,980,000 shares in 2007 and 2006	16,440	16,440	139,322
Capital surplus	17,051	17,051	144,500
Retained earnings	107,127	89,220	907,856
Net unrealized gain on available-for-sale securities	6,546	8,833	55,474
Deferred gain on derivatives under hedge accounting	444		3,763
Foreign currency translation adjustments	(1,052)	(1,292)	(8,915)
Treasury stock, at cost 26,790 shares in 2007 and 25,288 shares in 2006	(74)	(65)	(627)
Sub-total	146,482	130,187	1,241,373
Minority interests	7,786		65,983
Total equity	154,268	130,187	1,307,356
Total	¥2,380,468	¥1,825,087	$20,173,458

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited (formerly Diamond Lease Company Limited) and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Revenues:			
Lease (Note 14)	¥359,973	¥380,597	$3,050,619
Installment sales (Note 14)	118,461	117,832	1,003,907
Loans (Note 14)	20,522	12,728	173,915
Other	18,474	13,000	156,559
Total revenues	517,430	524,157	4,385,000
Costs:			
Lease	322,205	341,596	2,730,551
Installment sales	111,249	111,284	942,788
Interest (Note 14)	14,325	9,596	121,398
Other	12,893	9,475	109,263
Total costs	460,672	471,951	3,904,000
Gross profit	56,758	52,206	481,000
Selling, general and administrative expenses (Note 13)	23,825	23,389	201,907
Operating income	32,933	28,817	279,093
Other income (expenses)			
Dividend income	546	540	4,628
Interest expense — Net of interest income of ¥133 million ($1,127 thousand) in 2007 and ¥68 million in 2006 (Note 14)	(608)	(420)	(5,153)
Loss on devaluation of investment securities	(70)	(385)	(593)
Other — Net	3,894	2,076	33,000
Income before income taxes and minority interests	36,695	30,628	310,975
Income taxes (Note 15):			
Current	13,338	9,893	113,034
Deferred	926	(758)	7,848
Total	14,264	9,135	120,882
Minority interests	367	357	3,110
Net income	¥ 22,064	¥ 21,136	$ 186,983

	Yen		U.S. Dollars
	2007	2006	2007
Amounts per share of common stock (Note 2. q):			
Basic net income	¥387.41	¥370.03	$3.28
Cash dividends applicable to the year	40.00	36.00	0.34

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi UFJ Lease & Finance Company Limited (formerly Diamond Lease Company Limited) and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Thousands of Shares		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**	2006	**2007**
Common stock					
Beginning balance	**56,980**	56,980	**¥ 16,440**	¥16,440	**$139,322**
Ending balance	**56,980**	56,980	**¥ 16,440**	¥16,440	**$139,322**
Capital surplus					
Beginning balance			**¥ 17,051**	¥17,049	**$144,500**
Surplus from transaction in treasury stock				2	
Ending balance			**¥ 17,051**	¥17,051	**$144,500**
Retained earnings					
Beginning balance			**¥ 89,220**	¥69,968	**$756,102**
Adjustment of retained earnings for newly consolidated subsidiaries			**87**		**737**
Net income			**22,064**	21,136	**186,983**
Cash dividends paid			**(2,278)**	(1,823)	**(19,305)**
Bonuses to directors			**(60)**	(60)	**(508)**
Decrease in retained earnings resulting from exclusion of consolidated subsidiaries				(1)	
Decrease as a result of change from consolidated subsidiary to equity method application affiliate			**(1,906)**		**(16,153)**
Ending balance			**¥107,127**	¥89,220	**$907,856**
Net unrealized gain on available-for-sale securities					
Beginning balance			**¥ 8,833**	¥ 5,284	**$ 74,856**
Net change in the year			**(2,287)**	3,549	**(19,382)**
Ending balance			**¥ 6,546**	¥ 8,833	**$ 55,474**
Deferred gain on derivatives under hedge accounting					
Beginning balance					
Net change in the year			**¥ 444**		**$ 3,763**
Ending balance			**¥ 444**		**$ 3,763**
Foreign currency translation adjustments					
Beginning balance			**¥ (1,292)**	¥(3,225)	**$ (10,949)**
Net change in the year			**240**	1,933	**2,034**
Ending balance			**¥ (1,052)**	¥(1,292)	**$ (8,915)**
Minority interests					
Beginning balance			**¥ 2,861**		**$ 24,246**
Net change in the year			**4,925**		**41,737**
Ending balance			**¥ 7,786**		**$ 65,983**
Treasury stock:					
Beginning balance	**(25)**	(23)	**¥ (65)**	¥ (51)	**$ (551)**
Treasury stock acquired, net	**(2)**	(2)	**(9)**	(14)	**(76)**
Ending balance	**(27)**	(25)	**¥ (74)**	¥ (65)	**$ (627)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited (formerly Diamond Lease Company Limited) and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
Operating activities:			
Income before income taxes and minority interests	¥ 36,695	¥ 30,628	$ 310,975
Adjustment for:			
Income taxes-paid	(9,940)	(9,247)	(84,237)
Depreciation and amortization	273,814	289,322	2,320,458
Reversal of allowance for doubtful receivables	(852)	(2,535)	(7,220)
Cost of disposal and sales on leased up assets	28,171	32,376	238,737
Loss on devaluation of investment securities	70	385	593
Provision for liability for retirement benefits	50	92	424
Changes in assets and liabilities:			
Increase in trade receivables	(173,801)	(92,995)	(1,472,890)
Increase in trade payables	504	7,742	4,271
Decrease in interest payable	(389)	(43)	(3,297)
Purchases of leased assets	(297,851)	(281,418)	(2,524,161)
Other — net	(113,165)	13,219	(959,026)
Total adjustments	(293,389)	(43,102)	(2,486,348)
Net cash used in operating activities	(256,694)	(12,474)	(2,175,373)
Investing activities:			
Purchases of property and equipment	(1,734)	(1,497)	(14,695)
Purchases of investment securities	(9,827)	(2,610)	(83,280)
Proceeds from sales/refund of investment securities	9,502	6,897	80,526
Considerations for purchase of newly consolidated subsidiaries, net of cash acquired (Note 12)	(29,177)		(247,263)
Other — net	65	72	551
Net cash (used in) provided by investing activities	(31,171)	2,862	(264,161)
Financing activities:			
Repayments of long-term debt	(305,200)	(396,499)	(2,586,440)
Proceeds from long-term debt	484,439	365,444	4,105,415
Net increase in short-term borrowings	113,906	45,353	965,305
Cash dividends paid	(2,278)	(1,823)	(19,305)
Other — net	21	(12)	178
Net cash provided by financing activities	290,888	12,463	2,465,153
Foreign currency translation adjustments on cash and cash equivalents	(156)	73	(1,322)
Net increase in cash and cash equivalents	2,867	2,924	24,297
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	306		2,593
Cash and cash equivalents of subsidiaries excluded from consolidation	(120)	(11)	(1,017)
Cash and cash equivalents, beginning of year	5,564	2,651	47,152
Cash and cash equivalents, end of year	¥ 8,617	¥ 5,564	$ 73,025

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited (formerly Diamond Lease Company Limited) and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

1. Basis of Presenting Consolidated Financial Statements

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

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

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 ¥118=US$1.00, the approximate rate of exchange at March 31, 2007.

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, 2007 include the accounts of the Company and its 63 (57 in 2006) 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 Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in 4 (1 in 2006) associated companies are accounted for by the equity method.

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

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

b. Business Combination — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations". These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

The Company established Mitsubishi Auto Lease Holdings Corporation (the "MALH") through a joint share transfer with Mitsubishi Corporation, which consequently held Mitsubishi Auto Lease Corporation and Diamond Auto Lease Co., Ltd. (the "DAL") (Note 3).

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

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

d. Lease Accounting — The Company and its consolidated domestic subsidiaries account for all leases as operating leases. Under Japanese accounting standards for leases, except for the case in which the ownership of the leased property is transferred to the lessee, finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements.

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

e. Installment Sales — The Companies records 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 ¥237,677 million ($2,019,212 thousand) in 2007 and ¥233,505 million in 2006, respectively.

f. Marketable and Investment Securities — All securities are classified as available-for-sale securities. Marketable 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.

Non-marketable available-for-sale securities 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.

g. Inventories — Inventories are stated at cost, determined by the average method.

h. Property and Equipment — Property and equipment held for the Companies' own use are stated at cost.

Depreciation is computed based on the estimated useful lives of the assets under the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998 for assets held by the Company and consolidated domestic subsidiaries, and under the straight-line method for assets held by consolidated foreign subsidiaries.

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

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

i. Long-lived Assets — In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Company and its consolidated domestic subsidiaries adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Company and its consolidated domestic subsidiaries review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Presentation of Equity — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

k. Retirement and Pension Plans

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

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

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

l. Bonuses to Directors and Corporate Auditors — Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥ 87 million ($ 737 thousand).

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

n. Appropriations of Retained Earnings — Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

o. Translation of Foreign Currency Accounts

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

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

p. Derivative and Hedging Activities — The Companies utilize derivative financial instruments, including foreign exchange forward contracts, currency option contracts and currency 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 to manage their interest rate risk exposures on certain assets and liabilities. The Companies do not enter into derivatives for trading or speculative purposes.

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

The foreign exchange forward contracts, currency option contracts and currency 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.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value. The differential paid or received under the swap agreements are recognized and included in interest expense or income. The other interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liability or asset.

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

Diluted net income per share is not disclosed because it is anti-dilutive.

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

r. New Accounting Pronouncements

Measurement of Inventories — Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost 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. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. Business Combination

On March 1, 2007, the Company and Mitsubishi Corporation established MALH through a joint share transfer as a holding company under which hold Mitsubishi Auto Lease Corporation and DAL, consequently recognized them as subsidiaries of the Company. This share transfer was done aiming to restructure a strategic business.

As a result, the Company acquired 50% of issued share of MALH. And the Company applies the equity method to MALH and the two subsidiaries.

The share transfer of DAL is considered to have been done in March 31, 2007. Therefore only the statements of income of DAL of one year are consolidated.

	Millions of yen	Thousands of U.S. Dollars
Revenues	¥28,567	$242,093
Operating income	¥ 1,200	$ 10,169

4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current:			
Debt securities	¥ 23,663	¥ 2,995	$200,534
Non-current:			
Equity securities	¥ 19,308	¥22,678	$163,627
Debt securities	91,224	20,476	773,085
Trust fund investments and other	154	17	1,305
Total	¥110,686	¥43,171	$938,017

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 7,448	¥9,631	¥107	¥16,972
Debt securities	12,363		118	12,245
Trust fund investments	22	2		24

	Millions of Yen			
March 31, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 7,675	¥12,417	¥ 41	¥20,051
Debt securities	13,523	44	250	13,317

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 63,119	$81,619	$ 907	$143,831
Debt securities	104,771		1,000	103,771
Trust fund investments	186	17		203

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Available-for-sale:			
Equity securities	¥ 2,336	¥ 2,627	$ 19,797
Debt securities	102,642	10,154	869,847
Other	130	17	1,102
Total	¥105,108	¥12,798	$890,746

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥953 million ($8,076 thousand) and ¥4,794 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥439 million ($3,720 thousand) and ¥14 million ($119 thousand), respectively, for the year ended March 31, 2007 and ¥89 million and ¥35 million, respectively, for the year ended March 31, 2006.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2007 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥80,459	$681,856
Due after five years through ten years	140	1,186
Total	¥80,599	$683,042

The total carrying values of perpetuity bonds are not included in the above table.

5. Inventories

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Merchandise	¥ 2,289	¥2,482	$19,398

6. Leased Assets

Leased assets as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Computers and office equipment	¥ 882,208	¥ 913,719	$ 7,476,339
Industrial and construction machinery	594,144	578,192	5,035,119
Other	678,347	680,499	5,748,703
Leased assets — At cost	2,154,699	2,172,410	18,260,161
Accumulated depreciation	(1,334,158)	(1,341,779)	(11,306,424)
Total	820,541	830,631	6,953,737
Advances for purchases of leased assets	4,051	5,247	34,331
Total leased assets	¥ 824,592	¥ 835,878	$ 6,988,068

The minimum future rentals on lease contracts as of March 31, 2007 and 2006 were ¥809,076 million ($6,856,576 thousand) and ¥831,179 million, respectively.

The aggregate annual maturities of the minimum future rentals on lease contracts as of March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2008	¥246,542	$2,089,339
2009	192,262	1,629,339
2010	138,904	1,177,152
2011	90,782	769,339
2012	48,357	409,805
Thereafter	92,229	781,602
Total	¥809,076	$6,856,576

7. Pledged Assets

As of March 31, 2007 the following assets were pledged as collateral for long-term debt and other long-term liabilities.

	Millions of Yen	Thousands of U.S. Dollars
Minimum future rentals on lease contracts	¥1,156	$9,797
Loans	¥370	$3,136

The liabilities secured by the foregoing assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Long-term debt including current maturities	¥1,039	$8,805
Other long-term liabilities	¥562	$4,763

8. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Short-term loans from banks and other financial institutions with interest ranging:			
2007 — from 0.66% to 5.65%	¥ 616,120		$5,221,356
2006 — from 0.14% to 5.22%		¥437,770	
Commercial paper with interest ranging:			
2007 — from 0.53% to 0.72%	552,300		4,680,508
2006 — from 0.05% to 0.25%		456,300	
Total	¥1,168,420	¥894,070	$9,901,864

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 provide additional collateral or guarantors with respect to the loan. As of March 31, 2007, the Company has not received any such request.

Long-term debt as of March 31, 2007 and 2006 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Bonds			
Straight bonds and floating-rate bonds due 2007 with interest ranging from 0.14% to 2.03%		¥ 65,500	
Straight bonds due 2008 with interest ranging from 0.38% to 0.88%	¥ 64,000	11,500	$ 542,373
Straight bonds due 2009 with interest ranging from 0.50% to 1.00%	92,000	82,000	779,661
Straight bonds and floating-rate bonds due 2010 with interest ranging from 1.14% to 1.21%	61,500		521,187
Floating-rate bonds due 2011	12,000	10,000	101,695
Straight bonds and floating-rate bonds due 2012 with interest ranging from 1.49% to 1.68%	9,600		81,356
Straight bonds and floating-rate bonds due 2014 with interest ranging from 1.87% to 1.90%	2,000		16,949
Loans from the securitization of the minimum future rentals on lease contracts with interest ranging:			
from 0.10% to 1.11%, due through 2008		41,376	
from 1.05% to 1.24%, due through 2009	702		5,949
Floating-rate, due through 2011	62,302	40,263	527,983
Loans from the banks and other financial institutions, partially collateralized with interest ranging:			
from 0.38% to 6.12%, due through 2017	561,345		4,757,161
from 0.15% to 5.91%, due through 2016		376,057	
Total	865,449	626,696	7,334,314
Less current maturities	(175,497)	(172,032)	(1,487,263)
Long-term debt, less current maturities	¥ 689,952	¥ 454,664	$ 5,847,051

Annual maturities of long-term debt as of March 31, 2007 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥175,497	$1,487,263
2009	221,518	1,877,271
2010	156,063	1,322,568
2011	105,405	893,263
2012	81,558	691,169
Thereafter	125,408	1,062,780
Total	¥865,449	$7,334,314

The Company maintained a total of ¥150,000 million ($1,271,186 thousand) in revolving credit facilities with certain domestic banks for the year ended March 31, 2007.

9. Retirement and Pension Plans

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

Under most circumstances, employees terminating their employment are entitled to retirement benefits 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, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to larger payment than in the case of voluntary termination.

The liability for retirement benefits for directors and corporate auditors at March 31, 2007 and 2006 were ¥226 million ($1,915 thousand) and ¥172 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥ 8,015**	¥ 6,681	**$ 67,924**
Fair value of plan assets	**(6,407)**	(4,744)	**(54,297)**
Unrecognized prior service cost	**146**	161	**1,237**
Unrecognized actuarial loss	**(1,286)**	(1,423)	**(10,898)**
Net liability	**¥ 468**	¥ 675	**$ 3,966**
Prepaid pension cost	**¥ (199)**		**$ (1,687)**
Accrued liability	**¥ 667**		**$ 5,653**

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥433**	¥ 418	**$3,670**
Interest cost	**110**	102	**932**
Expected return on plan assets	**(80)**	(66)	**(678)**
Amortization of prior service cost	**(15)**	(15)	**(127)**
Recognized actuarial loss	**106**	132	**898**
Additionally paid retirement benefits		10	
Net periodic benefit costs	**¥554**	¥ 581	**$4,695**

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	**1.5 to 1.7%**	1.7%
Expected rate of return on plan assets	**1.7%**	1.7%
Amortization period of prior service cost	**14 years**	14 years
Recognition period of actuarial gain/loss	**14 to 20 years**	14 to 20 years

10. Commitments and Contingent Liabilities

As of March 31, 2007, the Companies have commitments for the purchase of assets for leasing and installment sales, having a cost of approximately ¥99,136 million ($840,136 thousand).

The Companies are contingently liable as of March 31, 2007 as guarantor or co-guarantor for borrowings of ¥8,102 million ($68,661 thousand) for their unconsolidated subsidiaries and others.

The Companies have entered into various interest rate swaps, currency option and foreign exchange forward in the ordinary course of business (Note 17).

11. Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

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

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law 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.

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

The Corporate Law 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 total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law 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 Corporate Law 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 specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law 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.

12. Stock acquisition

The Company made Diamond Asset Finance Company Limited and MMC Diamond Finance Corporation it's subsidiaries by acquiring those companies' stock. Considerations for purchase of Diamond Asset Finance Company Limited and MMC Diamond Finance Corporation, net of cash acquired, are ¥25,146 million ($213,102 thousand) and ¥4,031 million ($34,161 thousand) respectively.

	Millions of Yen	Thousands of U.S. Dollars
Diamond Asset Finance Company Limited		
Assets acquired	¥144,649	$1,225,839
Liabilities assumed	129,305	1,095,805
Cash paid for the capital	25,353	214,856
Goodwill	¥ 10,009	$ 84,822
MMC Diamond Finance Corporation		
Assets acquired	¥140,399	$1,189,822
Liabilities assumed	131,245	1,112,246
Cash paid for the capital	4,075	34,534
Minority Interests	4,577	38,788
Negative Goodwill	¥ 502	$ 4,254

13. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Provision for doubtful receivables	¥ 1,733	¥ 3,761	$ 14,686
Employees' salaries, bonuses and allowances	7,258	6,817	61,508
Depreciation	2,587	2,403	21,924
Commission expenses	2,880	2,466	24,407
Others	9,367	7,942	79,382
Total	¥23,825	¥23,389	$201,907

14. Related Party Transactions

The transactions with affiliates and a principal shareholder for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Interest expense	¥1,330	¥ 983	$11,271
Revenue			
Lease	5,134	7,106	43,508
Installment sales	697	1,361	5,907
Loans	142	81	1,203

Amounts due from and to affiliates and a principal shareholder as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Receivables:			
Lease	¥ 182	¥ 2,150	$ 1,542
Installment sales	3,287	2,693	27,856
Loans	22,197	6,458	188,110
Minimum future rentals on lease contracts	9,106	13,362	77,169
Short-term borrowings	188,350	163,350	1,596,186
Other current liabilities	43	50	364
Long-term debt including current maturities	25,866	10,538	219,203

15. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for doubtful receivables	¥ 2,607	¥ 3,382	$ 22,093
Tax effect on deficit of the subsidiary	2,960	3,139	25,085
Tax loss carry forwards	3,785	2,875	32,076
Property and equipment	1,065	265	9,025
Other	6,383	4,559	54,094
Total	¥16,800	¥14,220	$142,373
Less valuation allowance	3,596	3,734	30,475
Less deferred tax liabilities	6,512	5,961	55,186
Net deferred tax assets	¥ 6,692	¥ 4,525	$ 56,712

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥4,500	¥6,083	$38,136
Recognized Goodwill acquired in a business combination as a liability	1,708		14,474
Property and equipment		867	
Other	1,260	27	10,678
Total	7,468	6,977	63,288
Less deferred tax assets	6,512	5,961	55,186
Net deferred tax liabilities	¥ 956	¥1,016	$ 8,102

The difference between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2007 is not significant.

The difference between the effective tax rate in the accompanying consolidated statements of income and the normal effective statutory tax rate for the year ended March 31, 2006 is as follows:

	2006
Normal effective statutory tax rate	40.7%
Tax effect on deficit of the subsidiary	(8.9)
Divided income and others not taxable	(4.8)
Utilization of net operating loss carryforwards	(2.3)
Valuation allowance	4.1
Amortization of consolidation goodwill	0.5
Different tax rates applicable to foreign subsidiaries	0.5
Other	0.0
Actual effective tax rate	29.8%

16. Leases

Pro forma information of leased property such as obligations under finance lease which included obligations under subleases contracts, that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Obligations under finance leases			
Due within one year	¥31	¥115	$2,627
Due after one year	31	59	2,627
Total	¥62	¥174	$5,254

17. Derivatives

The Companies enter into foreign exchange forward contracts, currency option contracts and currency 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 to manage their interest rate exposures on certain assets and liabilities.

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

The Companies had the following derivatives contracts outstanding at March 31, 2007 and 2006:

	Millions of Yen					
	2007			2006		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign exchange forward contracts:						
Selling	¥ 353	¥ (5)	¥ (5)	¥ 242	¥ (12)	¥ (12)
Buying	346	4	4	2,939	114	114
Currency swaps contracts:						
Euro payment, Yen receipt						
Interest rate swap contracts:						
Floating rate payment, fixed rate receipt	¥ 1,491	¥ 61	¥ 61			
Fixed rate payment, floating rate receipt	21,508	(384)	(384)	¥7,674	¥(798)	¥(798)
Currency option contracts:						
Buying, call U.S. Dollar	¥ 46	¥ 3	¥ 1	¥ 46	¥ 2	

	Thousands of U.S. Dollars		
	2007		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign exchange forward contracts:			
Selling	$ 2,992	$ (42)	$ (42)
Buying	2,932	34	34
Interest rate swap contracts:			
Floating rate payment, fixed rate receipt	$ 12,636	$ 517	$ 517
Fixed rate payment, floating rate receipt	182,271	(3,254)	(3,254)
Currency option contracts:			
Buying, call U.S. Dollar	$ 390	$ 25	$ 8

Derivative contracts which qualify for hedge accounting, are assigned to the associated assets and liabilities and are recorded in the consolidated balance sheet at March 31, 2006, are excluded from the disclosure of market value information.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are excluded from the disclosure of market value information.

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

18. Segment Information

Information about industry segments for the years ended March 31, 2007 and 2006 is as follows:

Industry segments

	Millions of Yen					
Year Ended March 31, 2007	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated
(1) Operating income						
Revenue from customers	¥359,973	¥118,461	¥ 20,522	¥ 18,474		¥ 517,430
Intersegment revenue	85		1,574	1,060	¥ (2,719)	
Total revenues	360,058	118,461	22,096	19,534	(2,719)	517,430
Operating expenses	339,300	113,942	10,986	15,134	5,135	484,497
Operating income	¥ 20,758	¥ 4,519	¥ 11,110	¥ 4,400	¥ (7,854)	¥ 32,933
(2) Total assets, depreciation and capital expenditures						
Total assets	¥866,867	¥327,075	¥1,129,213	¥189,782	¥(132,469)	¥2,380,468
Depreciation	270,737				2,729	273,466
Capital expenditures	297,851				1,734	299,585

Year Ended March 31, 2006	Millions of Yen					
	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated
(1) Operating income						
Revenue from customers	¥ 380,597	¥ 117,832	¥ 12,728	¥13,000		¥ 524,157
Intersegment revenue	115		1,111	988	¥ (2,214)	
Total revenues	380,712	117,832	13,839	13,988	(2,214)	524,157
Operating expenses	356,726	113,384	9,330	11,203	4,697	495,340
Operating income	¥ 23,986	¥ 4,448	¥ 4,509	¥ 2,785	¥ (6,911)	¥ 28,817
(2) Total assets, depreciation and capital expenditures						
Total assets	¥ 879,528	¥ 334,525	¥ 674,542	¥77,975	¥(141,483)	¥1,825,087
Depreciation	286,468				2,510	288,978
Capital expenditures	281,418				1,498	282,916

Year Ended March 31, 2007	Thousands of U.S. Dollars					
	Lease	Installment Sales	Loans	Other	Eliminations or Corporate	Consolidated
(1) Operating income						
Revenue from customers	**$3,050,619**	**$1,003,907**	**$ 173,915**	**$ 156,559**		**$ 4,385,000**
Intersegment revenue	**720**	**.**	**13,339**	**8,983**	**$ (23,042)**	
Total revenues	**3,051,339**	**1,003,907**	**187,254**	**165,542**	**(23,042)**	**4,385,000**
Operating expenses	**2,875,424**	**965,610**	**93,102**	**128,254**	**43,517**	**4,105,907**
Operating income	**$ 175,915**	**$ 38,297**	**$ 94,152**	**$ 37,288**	**$ (66,559)**	**$ 279,093**
(2) Total assets, depreciation and capital expenditures						
Total assets	**$7,346,331**	**$2,771,822**	**$9,569,602**	**$1,608,322**	**$(1,122,619)**	**$20,173,458**
Depreciation	**2,294,381**				**23,127**	**2,317,508**
Capital expenditures	**2,524,161**				**14,695**	**2,538,856**

Revenues and total assets of the Company and its domestic subsidiaries for the year ended March 31, 2007 and 2006, represented more than 90% of consolidated revenues and total assets of each respective year. Accordingly, geographic segments are not required to be disclosed.

Revenues from foreign customers for the years ended March 31, 2007 and 2006, represented less than 10% of consolidated revenues of each respective year. Accordingly, revenues from foreign customers are not required to be disclosed.

19. Subsequent Event

a. On May 23, 2007, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Cash dividends of ¥20 ($0.17) per share	¥1,139	$9,653

b. Pursuant the merger agreement made by the extraordinary shareholders' meeting of the Company and UFJ Central Leasing Co., Ltd. both held on February 20, 2007, the Company merged with UFJ Central Leasing Co., Ltd. effective April 1 2007, and change its name to Mitsubishi UFJ Lease & Finance Company Limited.
The following summarizes the descriptions of the merger.
(1) The Company will be the surviving company.
(2) The Company issued 23,338,416 shares of common stock and allotted them to shareholders of UFJ Central Leasing Co., Ltd. at the rate of 1 share of the Company in exchange for 1 share of common stock of UFJ Central Leasing Co., Ltd., the amount of money delivered due to merger is not paid.
(3) Following the merger there is no increase in the capital.
(4) Accounting procedures for the merger will employ the purchase method, with the Company as the acquiring company. This will involve applying a statement of Opinion "Accounting for Business Combinations" (the BAC issued on October 2003), "Accounting Standard for Business Separations" and ASBJ Guidance for No. 10 "Guidance for Accounting Standard for Business Combinations and Business Separations (the ASBJ issued on December, 2005).

Independent Auditors' Report

Deloitte.

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

We have audited the accompanying consolidated balance sheets of Mitsubishi UFJ Lease & Finance Company Limited (formerly Diamond Lease Company Limited) (the "Company") and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 19, the Company merged with UFJ Central Leasing Co., Ltd. effective April 1, 2007.

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

Deloitte Touche Tohmatsu

June 28, 2007

Member of
Deloitte Touche Tohmatsu

Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited (formerly UFJ Central Leasing Co., Ltd.) and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 8,689	¥ 3,294	$ 73,636
Time deposits other than cash equivalents	9	8	76
Receivables (Notes 4 and 7):			
Notes	444	233	3,763
Lease	18,730	17,990	158,729
Installment sales	186,253	187,714	1,578,415
Loans	101,231	65,687	857,890
Allowance for doubtful receivables	(3,056)	(3,989)	(25,898)
Deferred tax assets (Note 12)	1,712	2,026	14,508
Prepaid expenses and other	15,792	12,390	133,830
Total current assets	329,804	285,353	2,794,949
Investments and other assets:			
Investment securities (Notes 5 and 7)	34,171	32,909	289,585
Investments in and loans receivable from unconsolidated subsidiaries and affiliates (Note 5)	4,269	2,659	36,178
Goodwill	2,204	2,522	18,678
Long-term receivables (Note 4)	5,775	6,590	48,941
Deferred tax assets (Note 12)	5,847	3,321	49,551
Other (Note 7)	19,015	22,268	161,144
Allowance for doubtful receivables	(4,309)	(5,156)	(36,517)
Total investments and other assets	66,972	65,113	567,560
Leased assets — At cost (Note 3)**:**	2,565,623	2,484,514	21,742,568
Accumulated depreciation	(1,548,172)	(1,490,127)	(13,120,102)
Net leased assets	1,017,451	994,387	8,622,466
Advances for purchases of leased assets	3,636	3,346	30,814
Total leased assets	1,021,087	997,733	8,653,280
Property and equipment — At cost (Note 6)**:**	2,728	1,797	23,118
Accumulated depreciation	(957)	(918)	(8,110)
Net property and equipment	1,771	879	15,008
Total	¥ 1,419,634	¥ 1,349,078	$ 12,030,797

See notes to consolidated financial statements.

	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars 2007
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings (Notes 7 and 13)	¥ 568,696	¥ 474,671	$ 4,819,458
Current maturities of long-term debt (Note 7)	216,815	238,741	1,837,415
Trade notes and accounts payable	83,942	75,797	711,373
Accrued expenses	1,989	2,434	16,856
Income taxes payable	6,641	5,625	56,280
Deferred profit on installment sales (Note 4)	10,082	10,901	85,441
Other	28,715	17,640	243,347
Total current liabilities	916,880	825,809	7,770,170
Long-term liabilities:			
Long-term debt, less current maturities (Notes 7 and 13)	384,290	417,416	3,256,695
Liability for retirement benefits (Note 8)	1,459	1,579	12,364
Deferred tax liabilities (Note 12)	1,220	973	10,339
Other	30,463	26,436	258,161
Total long-term liabilities	417,432	446,404	3,537,559
Commitments and contingent liabilities (Notes 9)			
Minority interests	–	4,410	–
Equity (Notes 11 and 14)**:**			
Common stock, authorized: 40,000,000 shares in 2007 and 2006; issued: 23,345,200 shares in 2007 and 2006	13,325	13,325	112,924
Capital surplus	19,205	19,205	162,754
Retained earnings	41,008	31,600	347,526
Net unrealized gains on available-for-sale securities	6,987	8,774	59,212
Deferred loss on derivatives under hedge accounting	(21)	–	(178)
Foreign currency translation adjustments	(198)	(443)	(1,678)
Treasury stock, at cost — 6,784 shares in 2007 and 6,726 shares in 2006	(6)	(6)	(51)
Total	80,300	72,455	680,509
Minority interests	5,022	–	42,559
Total equity	85,322	72,455	723,068
Total	¥1,419,634	¥1,349,078	$12,030,797

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited (formerly UFJ Central Leasing Co., Ltd.) and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Operating revenues (Notes 3 and 16)	¥513,438	¥509,043	$4,351,170
Operating costs and expenses (Notes 3 and 16):			
Operating costs	472,461	471,299	4,003,907
Selling, general and administrative expenses	18,829	19,046	159,568
Total operating costs and expenses	491,290	490,345	4,163,475
Operating income	22,148	18,698	187,695
Other income (expenses):			
Interest and dividend income	695	312	5,890
Interest expense	(387)	(366)	(3,280)
Foreign exchange loss	(33)	(10)	(280)
Gain on sale of investment securities, net	85	327	720
Equity in net earnings (losses) of affiliates	7	(26)	59
Impairment loss on fixed assets	–	(49)	–
Write-down of investment securities	(218)	–	(1,847)
Nonrecurring amortization expense for software for own use	(1,383)	–	(11,720)
Other, net	53	25	449
	(1,181)	213	(10,009)
Income before income taxes and minority interests	20,967	18,911	177,686
Income taxes (Note 12):			
Current	10,461	7,499	88,652
Deferred	(894)	(252)	(7,576)
Total income taxes	9,567	7,247	81,076
Minority interests	573	343	4,856
Net income	¥ 10,827	¥ 11,321	$ 91,754

	Yen		U.S. Dollars
	2007	2006	2007
Amounts per share of common stock (Note 14):			
Basic net income	¥463.90	¥491.24	$3.93
Cash dividends applicable to the year	40.00	35.00	0.34

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi UFJ Lease & Finance Company Limited (formerly UFJ Central Leasing Co., Ltd.) and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

		Millions of Yen									
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Net unrealized gains on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance at April 1, 2005	19,918,700	¥ 6,568	¥ 12,229	¥ 20,846	¥ 3,665	–	¥ (980)	¥ (47)	¥ 42,281	–	¥ 42,281
Net income for the year	–	–	–	11,321	–	–	–	–	11,321	–	11,321
Cash dividends, ¥25.00 per share	–	–	–	(548)	–	–	–	–	(548)	–	(548)
Bonuses to directors and corporate auditors	–	–	–	(19)	–	–	–	–	(19)	–	(19)
Issuance of common stock (Note 11)	3,426,500	6,757	6,752	–	–	–	–	–	13,509	–	13,509
Net change in unrealized gain on available-for-sales securities, net of applicable income taxes	–	–	–	–	5,109	–	–	–	¥5,109	–	5,109
Translation adjustment	–	–	–	–	–	–	537	–	537	–	537
Treasury stock sold, net	–	–	224	–	–	–	–	41	265	–	265
Balance at March 31, 2006	23,345,200	13,325	19,205	31,600	8,774	–	(443)	(6)	72,455	–	72,455
Reclassified balances as of March 31, 2006 (Note 2 (m))	–	–	–	–	–	–	–	–	–	¥ 4,410	4,410
Net income	–	–	–	10,827	–	–	–	–	10,827	–	10,827
Cash dividends, ¥60.00 per share	–	–	–	(1,401)	–	–	–	–	(1,401)	–	(1,401)
Bonuses to directors and corporate auditors	–	–	–	(18)	–	–	–	–	(18)	–	(18)
Purchase of treasury stock	–	–	–	–	–	–	–	(0)	(0)	–	(0)
Net change in the year	–	–	–	–	(1,787)	¥ (21)	245	–	(1,563)	612	(951)
Balance at March 31, 2007	**23,345,200**	**¥ 13,325**	**¥ 19,205**	**¥ 41,008**	**¥ 6,987**	**¥ (21)**	**¥ (198)**	**¥ (6)**	**¥ 80,300**	**¥ 5,022**	**¥ 85,322**

	Thousands of U.S. Dollars									
	Common stock	Capital surplus	Retained earnings	Net unrealized gains on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance at March 31, 2006	$112,924	$162,754	$267,797	$74,356	–	$(3,754)	$ (51)	$614,026	–	$614,026
Reclassified balances as of March 31, 2006 (Note 2 (m))	–	–	–	–	–	–	–	–	$37,373	37,373
Net income	–	–	91,754	–	–	–	–	91,754	–	91,754
Cash dividends, $0.51 per share	–	–	(11,873)	–	–	–	–	(11,873)	–	(11,873)
Bonuses to directors and corporate auditors	–	–	(152)	–	–	–	–	(152)	–	(152)
Purchase of treasury stock	–	–	–	–	–	–	(0)	(0)	–	(0)
Net change in the year	–	–	–	(15,144)	$(178)	2,076	–	(13,246)	5,186	(8,060)
Balance at March 31, 2007	**$112,924**	**$162,754**	**$347,526**	**$59,212**	**$(178)**	**$(1,678)**	**$ (51)**	**$680,509**	**$42,559**	**$723,068**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited (formerly UFJ Central Leasing Co., Ltd.) and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Operating activities:			
Income before income taxes and minority interests	¥ 20,967	¥ 18,911	$ 177,686
Adjustment for:			
Depreciation and amortization	327,805	327,663	2,778,009
Change in allowance for doubtful receivables	(542)	(1,766)	(4,593)
Write-down of investment securities	218	–	1,847
Interest and dividend income recognized in consolidated statements of income	(1,146)	(1,278)	(9,712)
Interest expense recognized in consolidated statements of income	10,859	10,073	92,026
Purchases of leased assets	(358,137)	(370,402)	(3,035,059)
Increase in trade receivables	(25,938)	(1,354)	(219,814)
Increase (decrease) in trade payables	8,174	(638)	69,271
Other, net	11,246	8,557	95,305
Subtotal	(6,494)	(10,234)	(55,034)
Interest and dividend received	1,043	1,318	8,839
Interest paid	(10,896)	(10,250)	(92,339)
Income taxes paid	(9,432)	(4,264)	(79,932)
Net cash used in operating activities	(25,779)	(23,430)	(218,466)
Investing activities:			
Increase in property and equipment	(1,331)	(473)	(11,280)
Increase in intangible assets	(643)	(1,345)	(5,449)
Purchases of investment securities	(2,118)	(7,208)	(17,949)
Proceeds from sales of investment securities	261	913	2,212
Increase in loans	(4,371)	(1,319)	(37,043)
Decrease in loans	2,822	7,043	23,915
Other, net	(5)	(1,180)	(42)
Net cash used in investing activities	(5,385)	(3,569)	(45,636)
Financing activities:			
Proceeds from long-term debt	226,569	233,726	1,920,076
Repayments of long-term debt	(281,255)	(360,012)	(2,383,517)
Net change in short-term borrowings	38,864	52,230	329,356
Issuance of commercial paper	54,000	81,000	457,627
Issuance of common stock	–	13,424	–
Dividends paid	(987)	(578)	(8,364)
Other, net	(818)	434	(6,932)
Net cash provided by financing activities	36,373	20,224	308,246
Foreign currency translation adjustments on cash and cash equivalents	23	145	195
Net increase (decrease) in cash and cash equivalents	5,232	(6,630)	44,339
Cash and cash equivalents of a newly consolidated subsidiary, beginning of year	163	–	1,382
Cash and cash equivalents, beginning of year	3,294	9,924	27,915
Cash and cash equivalents, end of year	¥ 8,689	¥ 3,294	$ 73,636

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited (formerly UFJ Central Leasing Co., Ltd.) and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of UFJ Central Leasing Co., Ltd. (the "Company") and its consolidated subsidiaries (together with the Company, the "UFJ Central Leasing Group") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standard Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

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 ¥118 to $1, the approximate rate of exchange at March 31, 2007. 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 accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost. Differences between acquisition cost of investments in subsidiaries and the underlying equity of their net assets adjusted based on the fair value at the time of acquisition are principally deferred and amortized over five years, except for those for the acquisition of Shutoken Leasing Co., Ltd. ("Shutoken"). Goodwill in relation to the acquisition of Shutoken is over eight years. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the UFJ Central Leasing Group is eliminated.

The numbers of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Consolidated subsidiaries:		
Domestic	**11**	11
Overseas	**8**	7
Affiliates, accounted for by the equity method	**2**	2
Unconsolidated subsidiaries, stated at cost	**135**	151
Affiliates, stated at cost	**15**	5

At March 31, 2007 and 2006, the Company had 115 and 133 unconsolidated subsidiaries, respectively, which are mainly engaged as the investment funds' operator of leasing businesses. As the assets and profit/loss of such subsidiaries are not substantially attributable to the respective subsidiaries, the Company has not consolidated the accounts of such subsidiaries.

The Company's overseas consolidated subsidiaries close their books at December 31 every year, three months earlier than the Company. The Company consolidated such subsidiaries' financial statements as of their year-end. Significant transactions during the period between such subsidiaries' year-end and the Company's year-end are adjusted on consolidation. Overseas consolidated subsidiaries adopt accounting principles generally accepted in their respective countries, and no adjustments to conform to the accounting principles generally accepted in Japan have been made to their financial statements on consolidation as allowed under accounting principles and practices generally accepted in Japan.

(b) 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, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(c) Lease accounting

The UFJ Central Leasing Group is primarily engaged in leasing operations as lessor, whose contracts are categorized as financing leases which do not transfer ownership of the leased property to the lessee during the term of lease. The Company and its domestic consolidated subsidiaries account for all of the lease contracts by the accounting treatment similar to operating leases as permitted by the "Opinion Concerning Accounting Standards for Leases" issued by the Business Accounting Council of Japan (the "BAC") in June 1994 and the related practical guideline issued by the Japanese Institute of Certified Public Accountants ("JICPA").

Leasing income is recognized at the due date of each lease payment according to the lease contracts. Leased equipment, which includes various kinds of machinery, durables and vehicles, is recorded at cost as investments in leases in the accompanying consolidated balance sheets, and has been depreciated over the lease contract terms by the straight-line method to an amount equal to the estimated disposal value at the lease termination date.

(d) Installment sales

Operating revenues from installment contracts and the related costs are recorded at the time of the contract, and income on such installment contracts is deferred and allocated over the contract term until the related installment receivables become due, as allowed under the accounting principles generally accepted in Japan.

(e) Marketable and investment securities

The UFJ Central Leasing Group classifies certain investments in debt and equity securities as "held-to-maturity", "trading" or "available-for-sale", whose classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Held-to-maturity securities are stated at amortized cost. Marketable securities with available market quotations for available-for-sale securities are stated at fair value and net unrealized gains or losses on these securities are reported as a separate component of equity, net of applicable income taxes. Gains and losses on disposition of available-for-sale securities are computed based on the moving average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving average method. Adjustments in carrying values of individual investment securities are charged to income through write-downs, when a decline in value is deemed other than temporary.

(f) Derivatives and hedging activities

The UFJ Central Leasing Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps, interest caps and currency swaps are utilized by the UFJ Central Leasing Group to reduce foreign currency exchange and interest rate risks. The UFJ Central Leasing Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions 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 derivatives transactions are recognized in the consolidated income statements, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Derivatives are accounted for by hedge accounting, which includes a certain method referred to as "macro hedge," in which the Company manages interest risks arising from various liabilities with derivatives transactions as a whole. Under the macro hedge accounting, the Company records the outstanding derivative transactions at fair value on the consolidated balance sheets.

The foreign currency forward contracts employed to hedge foreign exchange exposures are measured at the fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps and interest caps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

(g) Allowance for doubtful receivables

The UFJ Central Leasing Group has provided for the allowance at the aggregate amount of estimated credit loss for doubtful or troubled receivables based on receivable-by-receivable review approach at the balance sheet date and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.

(h) Property and equipment

Property and equipment for own use, including significant improvement and additions, are stated at cost and have been depreciated by the declining-balance method over the estimated useful lives of respective assets, except that the buildings and the property of overseas consolidated subsidiaries have been depreciated by the straight-line method. The range of useful lives is from 8 to 50 years for buildings and structures, and from 2 to 20 years for machinery and equipment.

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic consolidated subsidiaries as lessee is not capitalized and relating rental and lease expenses are charged to income as incurred.

(i) Intangible assets

Software is included in other assets of ¥2,788 million ($23,627 thousand) and ¥4,092 million at March 31, 2007 and 2006, respectively, in the accompanying consolidated balance sheets and is amortized by the straight-line method over the period from two to five years as its estimated useful life.

The UFJ Central Leasing Group reassessed useful life of certain software for own use in line with the determination of the merger between the Company and Diamond Lease Company Limited on April 1, 2007. As a result, amortization expense of assets for own use for the year ended March 31, 2007, increased by ¥1,383 million ($11,720 thousand), and income before income taxes and minority interests decreased by the same amount.

(j) Long-lived assets

In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The UFJ Central Leasing Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The UFJ Central Leasing Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(k) Employees' retirement benefits

Employees who terminate their services with the UFJ Central Leasing Group are entitled to severance indemnities determined by reference to current basic rates of pay, length of service and the conditions under which the termination occurs. The Company has established a non-contributory defined benefit pension plan. The Company's domestic consolidated subsidiaries principally have lump-sum retirement benefit plans.

In accordance with the accounting standard for employee retirement benefits, the Company has recognized the retirement benefits including pension cost and related liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach and the pension plan assets available for benefits at the respective fiscal year-ends. As all of the Company's consolidated subsidiaries are limited to the small operations as for the number of employees, they have provided for the retirement benefits based on benefit obligations assuming all of their employees voluntarily terminate their service at the respective balance sheet dates.

Unrecognized actuarial differences as changes in the projected benefit obligation or pension plan assets resulting from the experience different from that assumed and from changes in assumptions are charged to income in the next year in which they arise.

(l) Retirement allowance for directors and corporate auditors

The UFJ Central Leasing Group may pay severance indemnities to directors, officers and corporate auditors, which are principally subject to the approval of the shareholders. The UFJ Central Leasing Group has provided for the full amount of the liabilities of severance indemnities for directors, officers and corporate auditors at the respective balance sheet dates. The liability for severance indemnities for officers at March 31, 2007 and 2006 amounted to ¥195 million ($1,653 thousand) and ¥187 million, respectively, and was included in other long-term liabilities in the accompanying consolidated balance sheets.

(m) Presentation of equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

(n) Interest expense

Interest expense on borrowings is allocated to operating expenses and other expenses based on the volume of the balances of respective assets relating to the operating activities and other activities. Interest expense classified as operating expenses was recorded after netting interest income in relation to the operating assets of the UFJ Central Leasing Group.

(o) Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company and its domestic consolidated subsidiaries adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was immaterial.

(p) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforward. Deferred tax assets and liabilities are measured using on the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(q) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese Yen at the exchange rates at the balance sheet dates. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

Regarding the financial statement items of overseas consolidated subsidiaries, all asset, liability, income and expense accounts are translated into Yen at the exchange rates in effect at the respective year-ends. Translation differences, after allocating to minority interests for portions attributable to minority interests, are reported as a foreign currency translation adjustment in a separate component of equity in the accompanying consolidated balance sheets.

(r) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholder's approval.

(s) Per share information

Net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective years.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. The amount of diluted net income per share is not described as note disclosure because it is anti-dilutive for the years ended March 31, 2007 and 2006.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared by the Company as applicable to the respective years.

(t) New accounting pronouncements

(i) Lease accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

(ii) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. Lease

(As lessor)

At March 31, 2007 and 2006, leased assets, as lessor, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
For financing leases:			
Computer and office equipment	**¥ 758,884**	¥ 726,392	**$ 6,431,220**
Industrial and construction machinery	**841,144**	811,859	**7,128,339**
Other	**965,595**	946,263	**8,183,009**
Leased assets–at cost	**2,565,623**	2,484,514	**21,742,568**
Accumulated depreciation	**(1,548,172)**	(1,490,127)	**(13,120,102)**
Total	**1,017,451**	994,387	**8,622,466**
Advances for purchases of leased assets	**3,636**	3,346	**30,814**
Total leased assets	**¥ 1,021,087**	¥ 997,733	**$ 8,653,280**
Lease revenue received	**¥ 386,826**	¥ 384,462	**$ 3,278,186**
Depreciation and amortization of the leased property	**¥ 325,278**	¥ 325,164	**$ 2,756,593**
Interest received	**¥ 59,066**	¥ 54,020	**$ 500,559**
Future minimum financing lease commitments to be received	**¥ 1,054,299**	¥ 1,032,552	**$ 8,934,737**

The annual maturities of future minimum lease commitments to be received on financing leases at March 31, 2007 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 312,091	$2,644,839
2009	246,142	2,085,949
2010	187,829	1,591,771
2011	131,783	1,116,805
2012	76,265	646,314
Thereafter	100,189	849,059
	¥1,054,299	$8,934,737

Although accounting principles generally accepted in Japan require financing leases to be accounted for as sale transactions of the leased property in principle, an alternative accounting method treating all lease contracts as operating leases is also permitted subject to the appropriate disclosure in the notes to the original consolidated financial statements as disclosed in Note 2(c).

(As lessee)

The UFJ Central Leasing Group has entered into various rental and lease agreements, principally for office space, which are generally cancelable with a few months' advance notice and also those for computer equipment, which are not usually cancelable for five-to-seven contract terms, as lessee.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended March 31, 2007 was as follows:

	As of March 31, 2007		
	Millions of Yen		
	Computer and office equipment	Other	Total
Acquisition cost	**¥609**	**¥91**	**¥700**
Accumulated depreciation	**376**	**59**	**435**
Net leased property	**¥233**	**¥32**	**¥265**

	As of March 31, 2006		
	Millions of Yen		
	Computer and office equipment	Other	Total
Acquisition cost	¥658	¥95	¥753
Accumulated depreciation	286	55	341
Net leased property	¥372	¥40	¥412

	As of March 31, 2007		
	Thousands of U.S. dollar		
	Computer and office equipment	Other	Total
Acquisition cost	**$5,161**	**$771**	**$5,932**
Accumulated depreciation	**3,186**	**500**	**3,686**
Net leased property	**$1,975**	**$271**	**$2,246**

Depreciation expense and interest expense under finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense	**¥156**	¥93	**$1,322**
Interest expense	**156**	93	**1,322**

The future minimum payments for such non-cancelable financing leases, including the imputed interest, and operating leases as lessee at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Financing leases:			
Due within one year	**¥1,370**	¥2,114	**$11,610**
Due after one year	**1,940**	2,291	**16,441**
	¥3,310	¥4,405	**$28,051**
Operating leases:			
Due within one year	**¥ 353**	¥353	**$2,991**
Due after one year	**697**	1,051	**5,907**
	¥1,050	¥1,404	**$8,898**

4. Receivables

(i) Installment sales

Receivables–installment sales at March 31, 2007 and 2006 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Installment contract receivables	**¥186,253**	¥187,714	**$1,578,415**
Less, unearned income	**(10,082)**	(10,901)	**(85,441)**
	¥176,171	¥176,813	**$1,492,974**

The annual maturities of installment contract receivables at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 69,948	$ 592,780
2009	46,395	393,178
2010	32,813	278,076
2011	22,825	193,432
2012	8,861	75,093
Thereafter	5,411	45,856
	¥186,253	$1,578,415

(ii) Loan commitment

Loan commitments contracted but undrawn amounted to ¥19,222 million ($162,898 thousand) and ¥ 11,252 million at March 31, 2007 and 2006, respectively. Since many of these commitments expire without being drawn, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Company can refuse customers' applicants for loans or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness).

(iii) Long-term receivables

Long-term receivables which were included in investments and other assets consisted of contractually delinquent receivables of ¥5,775 million ($48,941 thousand) and ¥6,590 million at March 31, 2007 and 2006, respectively. The UFJ Central Leasing Group provided for the allowance for credit loss to absorb the future credit loss based on the receivable-by-receivable review approach in the amounts of ¥4,283 million ($36,297 thousand) and ¥5,124 million at March 31, 2007 and 2006, respectively, at a level that, in management's judgment, was adequate to cover potential credit loss for these receivables.

5. Marketable and Investment Securities

At March 31, 2007 and 2006, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Marketable securities:			
Equity securities	**¥20,123**	¥23,166	**$170,534**
Bonds	**4,264**	2,681	**36,135**
Total marketable securities	**24,387**	25,847	**206,669**
Other nonmarketable securities	**11,567**	7,062	**98,026**
Total	**¥35,954**	¥32,909	**$304,695**

Equity securities at March 31, 2007 and 2006 included investment securities lent to a third party under the security loan agreement in the amounts of ¥127 million ($1,076 thousand) and ¥175 million, respectively.

Marketable bonds of ¥1,783 million ($15,110 thousand) at March 31, 2007 presented in the schedules herein, were included in "prepaid expenses and other" in the accompanying consolidated balance sheet.

At March 31, 2007 and 2006, the fair values of marketable securities classified as held-to-maturity and related net unrealized gains were as follows:

	Millions of Yen		
	Carrying value	Fair value	Net unrealized gains
Held-to-maturity debt securities:			
At March 31, 2007	**¥ 4,240**	**¥ 4,230**	**¥(10)**
At March 31, 2006	2,653	2,697	44

	Thousands of U.S. Dollars		
Held-to-maturity debt securities:			
At March 31, 2007	**$35,932**	**$35,847**	**$(85)**

Marketable investment securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized. At March 31, 2007 and 2006, gross unrealized gains and losses for marketable securities classified as available-for-sale are summarized as follows:

	Millions of Yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities at March 31, 2007:				
Equity securities	**¥8,573**	**¥11,691**	**¥(141)**	**¥20,123**
Bonds	**24**	**0**	**(0)**	**24**
	¥8,597	**¥11,691**	**¥(141)**	**¥20,147**
Available-for-sale securities at March 31, 2006:				
Equity securities	¥8,422	¥14,943	¥(199)	¥23,166
Bonds	28	–	–	28
	¥8,450	¥14,943	¥(199)	¥23,194

	Thousands of U.S. Dollars			
Available-for-sale securities at March 31, 2007:				
Equity securities	**$72,653**	**$99,076**	**$(1,195)**	**$170,534**
Bonds	**203**	**0**	**(0)**	**203**
	$72,856	**$99,076**	**$(1,195)**	**$170,737**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥95 million ($805 thousand) and ¥408 million, respectively. Gross realized gains on these sales were ¥48 million ($407 thousand) and ¥91 million, respectively, for the years ended March 31, 2007 and 2006.

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity and available-for-sale securities at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥1,783	$15,110
Due after one year through five years	2,457	20,822
Due after five years through ten years	10	85
Due after ten years	14	118
	¥4,264	$36,135

At March 31, 2007 and 2006, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Investments, accounted by the equity method for significant affiliates and at cost for others	**¥ 815**	¥ 805	**$ 6,907**
Interest bearing long-term loans	**3,454**	1,854	**29,271**
	¥4,269	¥2,659	**$36,178**

6. Property and Equipment

At March 31, 2007 and 2006, property and equipment consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Land	**¥ 699**	¥ 11	**$ 5,923**
Buildings and structures	**1,500**	269	**12,712**
Machinery and equipment	**529**	1,517	**4,483**
	2,728	1,797	**23,118**
Accumulated depreciation	**(957)**	(918)	**(8,110)**
	¥1,771	¥ 879	**$15,008**

7.Long-term Debt and Short-term Borrowings

At March 31, 2007 and 2006, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans from banks and other financial institutions, due through 2016, bearing interest at rates ranging from 0.34% to 7.12% per annum at March 31, 2007			
Secured	¥ 68,580	¥ 76,326	$ 581,186
Entered into the forward contract of assigning loans receivable	9,003	23,597	76,297
Unsecured	258,014	238,765	2,186,559
Payables in relation to assets securitization for future minimum lease commitments to be received, due through 2016, with discount rates ranging from 0.06% to 2.62% per annum at March 31, 2007	260,826	311,969	2,210,390
Unsecured bonds with interest rates ranging from 0.43% to 0.49% due through 2008 issued by Japan Medical Lease Corporation	4,000	5,500	33,898
Unsecured bonds with interest rates ranging from 5.74% to 6.52% due through 2009 issued by Bangkok Central Leasing Co., Ltd.	682	–	5,780
Total	601,105	656,157	5,094,110
Current maturities	(216,815)	(238,741)	(1,837,415)
Long-term debt	¥ 384,290	¥ 417,416	$ 3,256,695

The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥216,815	$1,837,415
2009	141,822	1,201,881
2010	109,682	929,509
2011	71,534	606,220
2012	30,472	258,237
Thereafter	30,780	260,848
	¥601,105	$5,094,110

At March 31, 2007 and 2006, short-term borrowings consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Bank overdrafts bearing interest at rates ranging from 0.31 % to 1.95 % per annum at March 31, 2007:			
Secured	–	¥ 502	–
Unsecured	¥200,100	161,261	$1,695,763
Loans from banks and other financial institutions, repayable within one year, principally represented by notes bearing interest at rates ranging from 0.30 % to 5.97 % per annum at March 31, 2007:			
Secured	–	–	–
Unsecured	33,596	31,908	284,712
Commercial paper bearing interest at rates ranging from 0.52 % to 0.72 % per annum at March 31, 2007	335,000	281,000	2,838,983
	¥568,696	¥474,671	$4,819,458

At March 31, 2007 and 2006, the Company and certain consolidated subsidiaries had unsecured overdraft or loan commitment agreements with 45 and 41 major banks, respectively. At March 31, 2007 and 2006, total committed lines of credit under such agreements amounted to ¥770,380 million ($6,528,644 thousand) and ¥732,367 million, of which ¥567,888 million ($4,812,610 thousand) and ¥570,604 million were available, respectively.

Collateral pledged by the UFJ Central Leasing Group for deposit received of ¥1,866 million ($15,814 thousand) and long-term debt, including current portion, of ¥70,049 million ($593,636 thousand) at March 31, 2007 is summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2007	
Future minimum lease commitments to be received on financing lease contracts	**¥62,060**	**$525,932**
Installment contract receivables	**2,815**	**23,856**
Custody notes received for lease contracts	**84**	**712**
Loans receivable	**78**	**661**
Investment securities	**85**	**720**
Leased assets	**4,516**	**38,271**
Trade receivable–loans receivable	**65**	**551**

In addition to the pledged assets above, the Company entered into the forward contract of assigning loans receivable for collateral pledged for long-term debt of ¥9,003 million ($76,297 thousand). The outstanding contract amounts were ¥9,203 million ($77,992 thousand).

8. Retirement and Pension Plans

The following table reconciles the benefit liability and net periodic retirement benefit expense as at or for the years ended March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Reconciliation of benefit liability:			
Projected benefit obligation	**¥ 3,495**	¥ 3,419	**$ 29,619**
Fair value of plan assets at end of year	**(2,166)**	(2,004)	**(18,356)**
	1,329	1,415	**11,263**
Unrecognized actuarial gain	**130**	164	**1,101**
Net amount of liability for retirement benefits recorded on the consolidated balance sheets	**¥ 1,459**	¥ 1,579	**$ 12,364**
Components of net periodic benefit costs:			
Service cost	**¥ 300**	¥ 264	**$ 2,542**
Interest cost	**46**	46	**390**
Expected return on plan assets	**(34)**	(30)	**(288)**
Amortization of actuarial gain	**(164)**	(13)	**(1,390)**
Net periodic benefit costs	**¥ 148**	¥ 267	**$ 1,254**

Major assumptions used in the calculation of the previous information for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Periodic recognition of projected benefit obligation	**Straight-line method**	Straight-line method
Discount rate	**1.9%**	1.9%
Expected rate of return on plan assets	**1.9%**	2.0%
Amortization of actuarial differences	**1 year**	1 year

9. Commitments and Contingent Liabilities

Effective from the year ended March 31, 2006, the Company has entered into the guarantee agreements for trade receivables with customers as a normal course of guarantee business. At March 31, 2007, contingent liabilities in relation to these guarantee agreements amounted up to ¥1,100 million ($9,322 thousand).

10. Derivatives

The UFJ Central Leasing Group is a party to derivative instruments including interest rate swap, interest cap, foreign exchange forward contracts and currency swap in the normal course of business to reduce their own exposure to fluctuations for the hedge purposes. The UFJ Central Leasing Group is exposed to credit loss in the event of non-performance by the other parties. However, the UFJ Central Leasing Group does not anticipate any losses arising from credit risk because the counterparties to those derivatives are limited to major financial institutions.

The Company implements derivative transactions relating to interest based on approval of management conference after discussion on hedge policy considering an perspective of total management of assets and liabilities (ALM) and interest trends monthly in the ALM committee, which consists of financing department, sales management department, total planning department, investigation department and lease property management department. In the domestic consolidated subsidiaries, hedge policy is discussed and implemented in each division in charge of derivatives, and the result is reported to the Company. In the overseas consolidated subsidiaries, it is implemented based on the hedge policy discussed with the Company after approval by the Company.

A summary of the notional principal amounts and valuation gains or losses of derivatives outstanding accounted for by the macro hedge at March 31, 2007 and 2006 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Interest rate contracts:			
Swaps:			
Floating to fixed rate hedges	**¥3,000**	¥4,000	**$25,424**
Fixed to floating rate hedges	**1,000**	1,000	**8,475**
Aggregate valuation losses	**(28)**	(37)	**(237)**

Note: Valuation gains or losses are calculated principally based on the fair value, predominantly using the discounted cash flow method.

The UFJ Central Leasing Group had the following derivatives contracts other than macro hedge accounting applied outstanding at March 31, 2007.

	Millions of Yen		
	2007		
	Contract amount	Fair value	gain (loss)
Foreign currency forward contracts:			
Selling Yen	**¥ 275**	**¥ (3)**	**¥ (3)**
Buying U.S.$	**¥ 276**	**¥ 5**	**¥ 5**
Interest rate swaps:			
Floating to fixed rate hedges	**¥7,368**	**¥ (3)**	**¥ (7)**
Fixed to floating rate hedges	**¥8,000**	**¥17**	**¥17**
Interest rate caps			
Buying	**¥ 357**	**¥ 1**	**¥ (1)**

	Thousands of U.S. Dollars		
	2007		
	Contract amount	Fair value	gain (loss)
Foreign currency forward contracts:			
Selling Yen	**$ 2,331**	**$ (25)**	**$ (25)**
Buying U.S.$	**$ 2,339**	**$ 42**	**$ 42**
Interest rate swaps:			
Floating to fixed rate hedges	**$62,441**	**$ (25)**	**$ (59)**
Fixed to floating rate hedges	**$67,797**	**$144**	**$144**
Interest rate caps			
Buying	**$ 3,025**	**$ 8**	**$ (8)**

Note for 2006 is not disclosed because derivatives contracts were allotted to assets and liabilities denominated in foreign currencies at March 31, 2006.

Notional principal amounts represent the volume of outstanding derivative transactions and do not represent the potential for gain or loss relating to the market or credit risk of such transactions.

11. Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the “Corporate Law”), which reformed and replaced the Commercial Code of Japan (the “Code”) with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Company meets all the above criteria. 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 Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law also 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.

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

The Corporate Law 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 total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law 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 Corporate Law 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 specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law 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.

The Company issued 3,000,000 shares of common stock of the Company for public offering on April 15, 2005. In addition, the Company also issued 426,500 shares of its common stock as over-allotment to a certain security company on May 12, 2005, based on the resolution by the Board of Directors on March 30, 2005. As a result of these issuances of new shares, the Company recorded increases of common stock account and additional paid-in capital account of ¥6,757 million and ¥6,752 million, respectively.

The following appropriation of retained earnings at March 31, 2007 was approved at the Company’s shareholders meeting held on February 20, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20 ($0.17) per share	**¥467**	**$3,958**

12. Income Taxes

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Property and equipment	¥ 4,785	¥ 3,720	$ 40,551
Allowance for doubtful receivables	1,673	874	14,178
Net operating loss carryforward	814	1,159	6,898
Amortization of software	1,068	575	9,051
Liability for retirement benefits	593	639	5,025
Write-down of investment securities	1,633	1,623	13,839
Grant	1,032	509	8,746
Other	3,317	3,675	28,110
Valuation allowance	(1,761)	(766)	(14,924)
	13,154	12,008	111,474
Net of deferred tax liabilities	(5,595)	(6,661)	(47,415)
Net deferred tax assets	¥ 7,559	¥ 5,347	$ 64,059
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	¥ 4,928	¥ 6,073	$ 41,763
Accelerated depreciation and other items of overseas consolidated subsidiaries	1,887	1,561	15,991
Net of deferred tax assets	(5,595)	(6,661)	(47,415)
Net deferred tax liabilities	¥ 1,220	¥ 973	$ 10,339

At March 31, 2007 and 2006, a valuation allowance was provided to reduce the deferred tax assets to the extent that the management believes that the amount of the deferred tax assets is expected to be realizable.

The reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective tax rate on pretax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 was as follows:

	Percentage of pretax income	
	2007	2006
Japanese statutory effective tax rate	40.4%	40.4%
Increase (decrease) due to:		
Tax credit for Information technology investments	–	(2.6)
Amortization of goodwill	0.6	0.7
Valuation allowance	4.6	(0.6)
Permanently non-deductible expenses	0.3	0.4
Tax exempt income	(0.4)	(0.4)
Other	0.1	0.4
Actual effective tax rate	45.6%	38.3%

13. Related Party Transactions

At March 31, 2007, the Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU") directly and indirectly owned 22.78% of the voting interest of the Company. As such, the Company is an affiliate of BTMU. The Company has bank borrowings from BTMU in the normal course of business. The outstanding balances due to BTMU aggregated ¥73,662 million ($624,254 thousand) and ¥92,104 million at March 31, 2007 and 2006, respectively. Interest paid to BTMU for the years ended March 31, 2007 and 2006 amounted to ¥920 million ($7,797 thousand) and ¥1,110 million, respectively.

The Company also has bank borrowings from Mitsubishi UFJ Trust and Banking Corporation, which is a subsidiary of BTMU. The outstanding balances due to Mitsubishi UFJ Trust and Banking Corporation at March 31, 2007 and 2006 amounted to ¥18,564 million ($157,322) and ¥10,596 million, respectively.

14. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2007 and 2006 is as follows:

	2007			
	Millions of Yen	Thousands of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥10,827**	**23,339**	**¥463.90**	**$3.93**

	2006		
	Millions of Yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
Basic EPS			
Net income available to common shareholders	¥11,302	23,009	¥491.24

Diluted net income per share is not disclosed because it is anti-dilutive.

15. Subsequent Event

On February 20, 2007, the extraordinary shareholders meeting of the Company approved the merger contract with Diamond Lease Company Limited ("Diamond") effective April 1, 2007, stating that all of assets, liabilities, rights and obligations and employees of the Company were taken over to Diamond. Under the merger contract, the surviving company was defined as Diamond. The merged company was renamed as Mitsubishi UFJ Lease & Finance Company Limited.

Detail of the merger was as follows:

1. Objective of the merger
   The merger was aimed to reinforce their business competence and maximization of shareholders value, by offering the variety of services to customers through the integration of the business infrastructures, know-how and merchandise.
2. Merger ratio
   The merger ratio was set at one ordinary share of the Company for one ordinary share of Diamond. Each of the Company and Diamond entrusted independent third-party organizations with assessing the merger ratio, and both sides discussed and determined it based on the result of the assessment by the independent third-party organizations.
3. Description of the principal business of Diamond and key financial information for the fiscal year ended in March 2007

   (1) Description of the business which Diamond engages
   Leasing business, installment sales, loan business and other

   (2) Financial information

	Millions of Yen	Thousands of U.S. Dollars
Consolidated		
Sales	¥ 517,430	$ 4,385,000
Net income	22,064	186,983
Total assets	2,380,468	20,173,458
Total equity	¥ 154,268	$ 1,307,356
Number of employees	1,029	
Non-consolidated		
Sales	¥ 382,276	$ 3,239,627
Net income	16,454	139,441
Total assets	1,997,260	16,925,932
Total equity	¥ 133,228	$ 1,129,051
Number of employees	583	

16. Segment Information

The UFJ Central Leasing Group classified its business segment as follows.

"Leasing" consists of leasing of office equipment (computer, etc.), industrial machinery (machining center, etc.) and commercial equipment (automatic vending machine, etc.), including sale of leasing property on maturity of lease transactions or cancellation before maturity.

"Installment contract" consists of installment sale of commercial equipment, production equipment and hospital equipment, etc.

"Loans" consists of loans and purchase of receivables, etc.

"Other" consists of investment to investment securities and anonymous associations, etc. and sale of computer, etc.

A summary of information classified by lines of business of the UFJ Central Leasing Group for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen						
	Leasing	Installment contract	Loans	Other	Total	Elimination	Consolidated
For the year ended March 31, 2007:							
Operating revenues:							
Outside customers	¥ 423,270	¥ 82,533	¥ 2,223	¥ 5,412	¥ 513,438	¥ –	¥ 513,438
Intersegment sales	520	–	–	316	836	(836)	–
Total operating revenues	423,790	82,533	2,223	5,728	514,274	(836)	513,438
Operating costs and expenses	405,863	79,476	1,458	3,694	490,491	799	491,290
Operating income	¥ 17,927	¥ 3,057	¥ 765	¥ 2,034	¥ 23,783	¥ (1,635)	¥ 22,148
Identifiable assets	¥1,075,717	¥188,676	¥106,033	¥15,084	¥1,385,510	¥34,124	¥1,419,634
Depreciation and amortization	325,587	–	–	–	325,587	2,218	327,805
Capital expenditures	¥ 391,218	–	–	–	¥ 391,218	¥ 835	¥ 392,053
For the year ended March 31, 2006:							
Operating revenues:							
Outside customers	¥ 417,329	¥ 87,176	¥ 1,386	¥ 3,152	¥ 509,043	¥ –	¥ 509,043
Intersegment sales	475	188	–	217	880	(880)	–
Total operating revenues	417,804	87,364	1,386	3,369	509,923	(880)	509,043
Operating costs and expenses	402,533	83,463	992	2,588	489,576	769	490,345
Operating income	¥ 15,271	¥ 3,901	¥ 394	¥ 781	¥ 20,347	¥ (1,649)	¥ 18,698
Identifiable assets	¥ 1,048,152	¥ 188,403	¥ 68,620	¥ 9,226	¥ 1,314,401	¥ 34,677	¥ 1,349,078
Depreciation and amortization	326,911	–	–	–	326,911	752	327,663
Capital expenditures	¥ 397,956	–	–	–	¥ 397,956	¥ 1,457	¥ 399,413

	Thousands of U.S. Dollars						
	Leasing	Installment contract	Loans	Other	Total	Elimination	Consolidated
For the year ended March 31, 2007:							
Operating revenues:							
Outside customers	$3,587,034	$ 699,432	$ 18,839	$ 45,865	$ 4,351,170	$ –	$ 4,351,170
Intersegment sales	4,407	–	–	2,677	7,084	(7,084)	–
Total operating revenues	3,591,441	699,432	18,839	48,542	4,358,254	(7,084)	4,351,170
Operating costs and expenses	3,439,517	673,525	12,356	31,305	4,156,703	6,772	4,163,475
Operating income	$ 151,924	$ 25,907	$ 6,483	$ 17,237	$ 201,551	$ (13,856)	$ 187,695
Identifiable assets	$9,116,246	$1,598,949	$898,585	$127,830	$11,741,610	$289,187	$12,030,797
Depreciation and amortization	2,758,220	–	–	–	2,758,220	18,797	2,777,017
Capital expenditures	$3,315,407	–	–	–	$ 3,315,407	$ 7,076	$ 3,322,483

Identifiable assets in the elimination column represent unallocated general corporate items which were not assigned to a particular industry segment, net of intersegment balances.

Geographic segment information is not shown, as operating revenues and total assets of overseas consolidated subsidiaries were not material. Information of overseas sales is not disclosed as such sales were not material.

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheet of UFJ Central Leasing Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2007, and the related consolidated statement of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of UFJ Central Leasing Co., Ltd. and subsidiaries for the year ended March 31, 2006 were audited by other auditors whose report, dated June 28, 2006, expressed an unqualified opinion on those statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of UFJ Central Leasing Co., Ltd. and consolidated subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 15 to the consolidated financial statements, the Company was merged with Diamond Lease Company Limited on April 1, 2007.

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

Deloitte Touche Tohmatsu

June 28, 2007

Member of
Deloitte Touche Tohmatsu

Group Network

(as of June 30, 2007)

Overseas Network

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◆**Mitsubishi UFJ Lease (Singapore) Pte. Ltd.**	80 Raffles Place #30-21, UOB Plaza 2, Singapore 048624 Phone: 65-6220-2515
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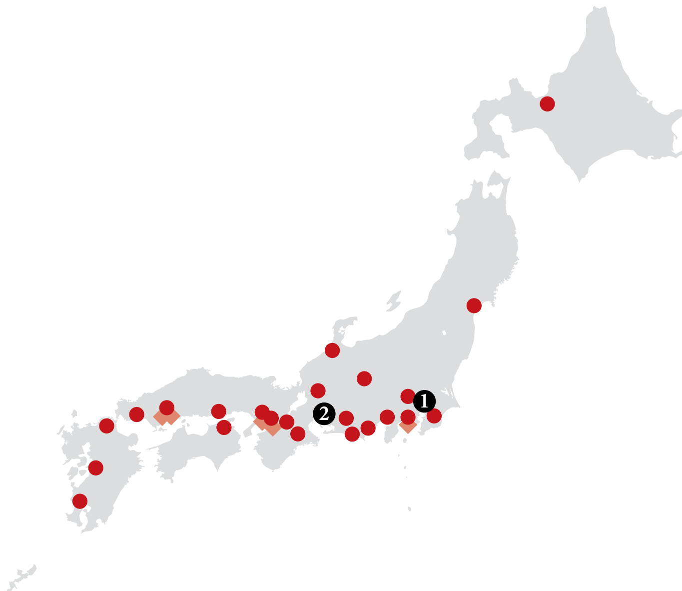
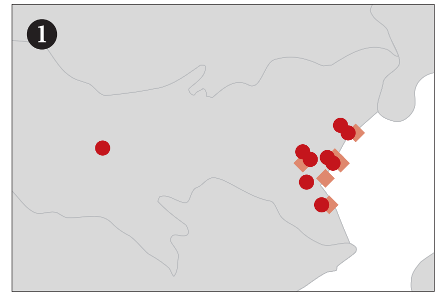
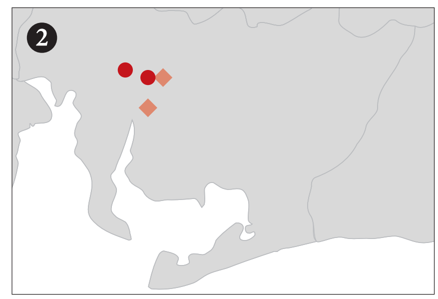
◆**New York Representative Office**	350 Fifth Avenue, Empire State Building, Suite 616, New York, NY 10118, U.S.A. Phone: 1-646-473-1572
◆**Shanghai Representative Office**	Unit 2302, Azia Center, 1233 Lujiazui Ring Road, Pudong, Shanghai, PRC Phone: 86-21-6888-0050







Domestic Network

- ●Head office
  Shin-Marunouchi Building, 5-1,
  Marunouchi 1-chome, Chiyoda-ku,
  Tokyo 100-6525, Japan
  Phone: +81-3-6865-3000
- ●Nagoya head office
  24-15, Sakae 1-chome, Naka-ku,
  Nagoya City, Aichi 460-8407
  Phone: +81-52-221-1531
- ●Shinkawa office
- ●Otemachi office
- ●Shinjyuku Business Department
- ●Nagano Satellite Office
- ●Sapporo Branch
- ●Tohoku Branch
- ●Omiya Branch
- ●Chiba Branch
- ●Ueno Branch
- ●Gotanda Branch
- ●Ikebukuro Branch
- ●Tachikawa Branch
- ●Yokohama Branch
- ●Kariya Business Department
- ●Hokuriku Branch
- ●Gifu Branch
- ●Hamamatsu Branch
- ●Shizuoka Satellite Office
- ●Numazu Branch
- ●Toyohashi Branch
- ●Yokkaichi Branch
- ●Osaka Office
- ●Kyoto Branch
- ●Kobe Branch
- ●Okayama Branch
- ●Shikoku Branch
- ●Hiroshima Branch
- ●Syunan Satellite Office
- ●Fukuoka Branch
- ●Kumamoto Satellite Office
- ●Minami Kyusyu Branch

Domestic Subsidiaries and Affiliate

Lease and financing business

- ◆DFL Lease Co. Ltd.
- ◆Japan Medical Lease Corporation
- ◆Shinko Lease Co., Ltd.
- ◆The Casio Lease Co., Ltd.
- ◆Hirogin Lease Co. Ltd.
- ◆Shutoken Leasing Co., Ltd.
- ◆Chukyo General Lease Co., Ltd.
- ◆Mitsubishi Electric Credit Co., Ltd.

Auto lease and Auto financing business

- ◆Central Auto Leasing Co., Ltd.
- ◆MMC Diamond Finance Corporation
- ◆Hirogin Auto Lease Co. Ltd.
- ◆KM Leasing Co., Ltd.
- ◆Mitsubishi Auto Leasing Holdings Corporation
- ◆Diamond Auto Lease Co., Ltd.
- ◆Mitsubishi Auto Leasing Corporation
- ◆Just Automobile Leasing Co., Ltd.

Rental business

- ◆Diamond Rental System Co., Ltd.
- ◆Techno Rent Co., Ltd.

Real estate-related business

- ◆Compass Inc.
- ◆Diamond Asset Finance Company Limited
- ◆Diamond Asset Service Company Limited

Used equipment trading business

- ◆MUL Eco-Business Co., Ltd.
- ◆Diamond Equipment, Inc.
- ◆U-Machine Inc.
- ◆M-CAST Inc.
- ◆Compass Inc.

Insurance business

- ◆MUL Insurance Company Limited

Others

- ◆DL Business Co., Ltd.
- ◆Central Business Support Co., Ltd.
- ◆CL Solution Management Co., Ltd.

Corporate History

History of the former DL

April 1971	Established by Mitsubishi Group companies
March 1985	Listed on the Second Section of the Tokyo Stock Exchange
September 1988	Listed on the First Section of the Tokyo Stock Exchange
December 1998	Acquired Minami-Kyusyu Diamond Lease Company Limited
October 1999	Merged with Ryoshin Leasing Corporation
August 2000	Acquired 80% equity stake in The Casio Lease Co., Ltd.
January 2001	Acquired ISO14001 certification
March 2002	Acquired 80% equity stake in Hirogin Lease Co. Ltd.
December 2002	Acquired 100% equity stake in Meijiseimei Leasing Co., Ltd.
March 2003	Acquired 45% equity stake in Mitsubishi Electric Credit Co., Ltd.
January 2004	Acquired 95% equity stake in The Daiwa Factor and Leasing Co., Ltd. (renamed DFL Lease Co. Ltd.)
August 2006	Acquired 100% equity stake in Kyocera Leasing Company Limited (renamed Diamond Asset Finance Company Limited)
February 2007	Acquired 50% equity stake in 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 the former UFJCL

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 80% equity stake in Shinko Lease Co., Ltd. Raised equity stake in Japan Medical Lease Corporation to 38.95%
March 2001	Acquired 100% equity stake in Techno Rent Co., Ltd. (30% as of April 2007) Raised equity stake in Japan Medical Lease Corporation to 53.95% (92.95% as of April 2007)
November 2002	Acquired ISO14001 certification
March 2003	Raised equity stake in Chukyo General Lease Co., Ltd. to 70% Acquired 20% equity stake in Just Automobile Leasing Co., Ltd.
February 2004	Acquired 75.37% equity stake in Asahigin Leasing Co., Ltd. (renamed Shutoken Leasing Co., Ltd.; 75.63% as of April 2007)
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 Company Limited

April, 2007	The former DL and the former UFJCL merged to form Mitsubishi UFJ Lease & Finance Company Limited Listed on the First Section of the Nagoya Stock Exchange
May, 2007	Relocated head office New Address: Shin-Marunouchi Building, 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6525, Japan

Corporate Data

(as of April 1, 2007)

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
(Relocated in May 2007)
Phone: +81-3-6865-3000

Date of Establishment April 12, 1971

Paid in Capital ¥16,440,295,000

Stock Information Number of Authorized Shares: 320,000,000
Number of Issued Shares: 80, 318,416
Number of Shareholders: 5,511*
* The simple sum of the two companies' shareholders at March 31, 2007

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: 2,193, Parent: 1,044
(the former DL and the former UFJCL combined base as of March 31, 2007)

Fiscal Year April 1 to March 31

Transfer Agent Mitsubishi UFJ Trust and Banking Corporation

Auditor Deloitte Touche Tohmatsu

Principal Shareholders

	Number of Shares Held (thousands)	Ownership (%)
Mitsubishi Corporation	8,653	10.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,448	6.7
Meiji Yasuda Life Insurance Company	3,177	3.9
Chitose Kosan Co., Ltd.	3,118	3.8
Mitsubishi UFJ Trust and Banking Corporation	2,843	3.5

Mitsubishi UFJ Lease & Finance Company Limited
Shin-Marunouchi Building, 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-6525, Japan
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