Mitsubishi UFJ Lease & Finance

Wide-Ranging Solutions for Value Integration

2011
Annual Report

For the fiscal year ended March 31, 2011

Value Integrator

At a Glance

Acting as a *Value Integrator*

The corporate signature phrase of Mitsubishi UFJ Lease & Finance—Value Integrator—encapsulates our Group mission of taking a range of tangible and intangible assets and creating new Value by Integrating them through leasing and financing activities. In this way, we aim for sustainable growth as a comprehensive finance company meeting a variety of customer needs by offering a diverse range of products and services, including leasing, rental, eco-related and real estate-related services, factoring, private finance initiatives, and support for overseas business expansion.

Insurance business

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

Mitsubishi UFJ Lease & Finance

Rental business

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

Overseas network

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

Real estate-related business

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

Lease and financing business

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

Auto lease and auto finance business

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

Used equipment trading business

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

Key Figures

Balance of operating assets

¥3,394 billion

New transactions volume

¥1,170 billion

Gross profit

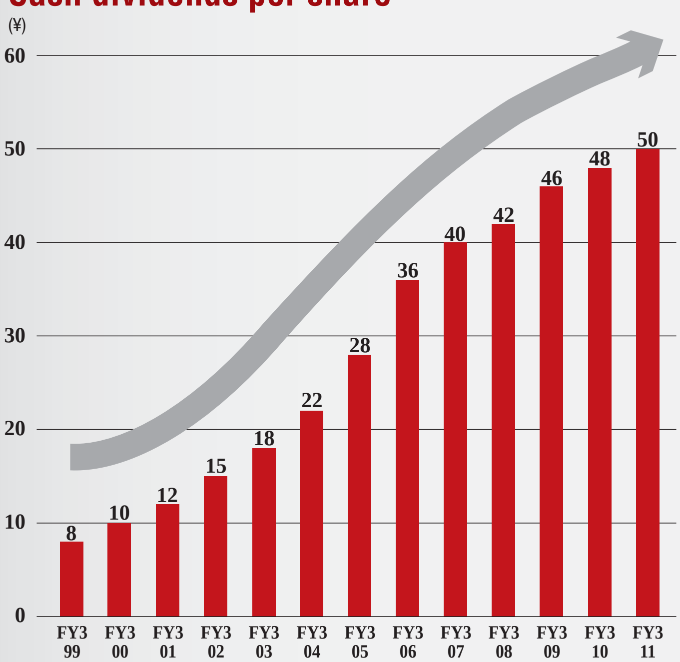
¥119 billion

External ratings

Rating agency	Long-term rating
JCR (Japan Credit Rating Agency, Ltd.)	AA-
R&I (Rating and Investment Information, Inc.)	A+
Moody's	A1

(as of July 31, 2011)

Cash dividends per share



Contents

Forward-Looking Statements

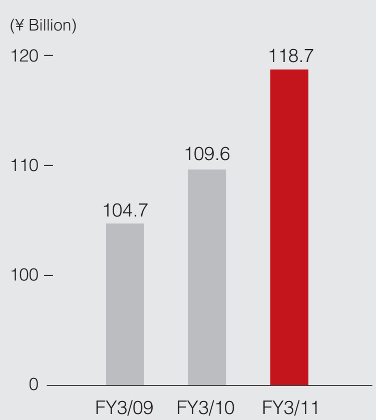
Future forecasts and estimations regarding management and financial information in connection with Mitsubishi UFJ Lease & Finance Company Limited that are stated in this Annual Report have been made at our own discretion on the basis of information that we were able to obtain at the time of preparing 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 Years Ended March 31, 2011, 2010 and 2009

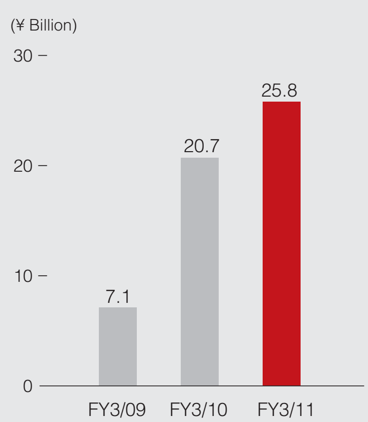
Mitsubishi UFJ Lease & Finance Company Limited
and its consolidated subsidiaries

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2011	2010	2009	**2011**
For the year:				
Total revenues	**¥ 724,763**	¥ 747,043	¥ 818,619	**$ 8,732,084**
Gross profit	**118,730**	109,569	104,715	**1,430,482**
Net income	**25,756**	20,727	7,146	**310,313**
At year-end:				
Total assets	**¥ 3,721,137**	¥ 3,885,161	¥ 3,909,077	**$ 44,832,976**
Total equity	**389,803**	366,892	342,633	**4,696,422**
Number of shares of common stock outstanding (excluding treasury stock, thousands)	**89,556**	89,556	89,556	
	Yen			U.S. Dollars
Per share of common stock:				
Basic net income	**¥ 287.59**	¥ 231.44	¥ 80.17	**$ 3.46**
Cash dividends applicable to the year	**50.00**	48.00	46.00	**0.60**
	%			
Ratios:				
Return on equity (ROE)	**7.1**	6.1	2.3	
Return on assets (ROA)	**0.7**	0.5	0.2	
Equity ratio	**10.0**	9.1	8.4	

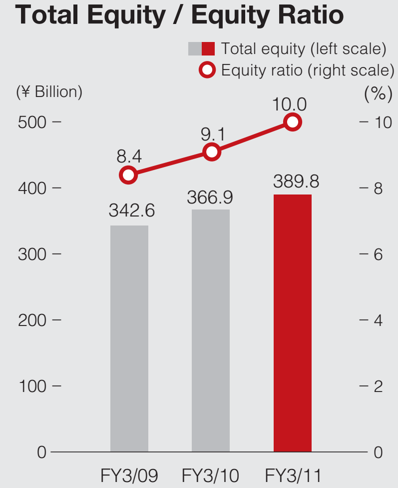
Gross Profit



Net Income



Total Equity / Equity Ratio



Note: The U.S. dollar amounts have been translated from the amounts stated in yen, solely for the convenience of readers, at the rate of ¥83=U.S.$1, the approximate exchange rate on March 31, 2011.

Message from the CEO

Promoting and Accelerating Measures and Strategies for Sustainable Growth

I express my deepest sympathy to people affected by the great earthquake that struck eastern Japan on March 11, 2011. It is my sincere hope that they will find a speedy path to recovery.

In the year ended March 31, 2011, the Japanese economy was buoyed up by the worldwide increase in demand centered on the developing countries and showed a recovering trend relative to the previous year.

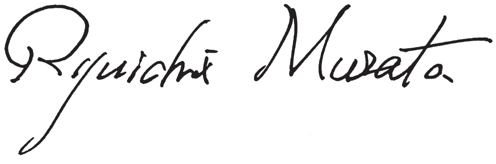
Capital expenditure in the domestic market, which has been at depressed levels for a number of years, showed signs of a move toward rehabilitation as it began to pick up gradually. The factors driving private-sector capital expenditure have become more diverse and complex, and nowadays include not only investment that feeds directly into production through enhancement of production capacity or repair and maintenance, but also investment for rationalization, labor-saving, environmental considerations, and other purposes. Moreover, there is an accelerating overseas shift in investment as business responds to the trend toward globalization and borderlessness in the economy.

Against this business background, the Mitsubishi UFJ Lease & Finance Group worked to steadily implement the various strategies and measures outlined in the Medium-Term Management Plan ***Vision 2010***, thus putting in place the structures to support sustainable growth as a comprehensive finance company.

To implement one of the growth strategies identified in ***Vision 2010***, development of overseas business, we concentrated operational resources through measures including an expansion of the functions of overseas bases and networks and reinforcements in human resources to create a structure able to respond accurately to customer needs at a global level. In the eco-related business, a particular strength of the Mitsubishi UFJ Lease & Finance Group, we proceeded with energetic initiatives in the provision of services that promote energy efficiency, the provision of finance for alternative energy facilities, and activities to promote the conservation and effective utilization of environmental resources.

In the fiscal year from April 1, 2011, we began implementation of the rolling plan ***Vision 2013*** as our Medium-Term Management Plan. The new plan builds on the framework of the previous medium-term plan ***Vision 2010***, but with the addition of new measures to reflect the business environment. Under ***Vision 2013***, we plan to introduce infrastructural reinforcement to allow more sophisticated risk-taking, pursue operational efficiency to maximize profit, and further accelerate initiatives in the key businesses which are the drivers of growth.

By taking full advantage of leasing and financing techniques to meet a diverse range of customer needs in the field of business finance, which underpins industrial activity, we at Mitsubishi UFJ Lease & Finance Group are committed to realizing sustainable growth.



Ryuichi Murata
President & CEO

Interview with the CEO

Main Results and Achievements of Medium-Term Management Plan *Vision 2010*

Under the Medium-Term Management Plan ***Vision 2010*** launched in April 2008, we have steadily put into practice a wide range of strategies and measures.

To respond to the needs of customers who wish to mitigate future residual risk of falls in equipment prices, and at the same time undertake capital expenditure in line with production plans, we have actively promoted operating leases.

Additionally, we have further expanded a number of services: the online asset management service ***e-Leasing Direct*** for customers who wish to realize a less labor-intensive asset management operation; and a service offering used property and equipment for those who wish to install equipment in a timely fashion. These and other measures to increase the functions provided in the value chain have allowed us to respond to diversifying customer needs.

Meanwhile, to respond in a nuanced way to the capital expenditure needs of customers undertaking overseas expansion, we established a new office in the Los Angeles area and formed a business alliance with the major Asian financial group Chailease Holding Limited as part of moves to strengthen our business base at a global level through alliances with leading local enterprises.

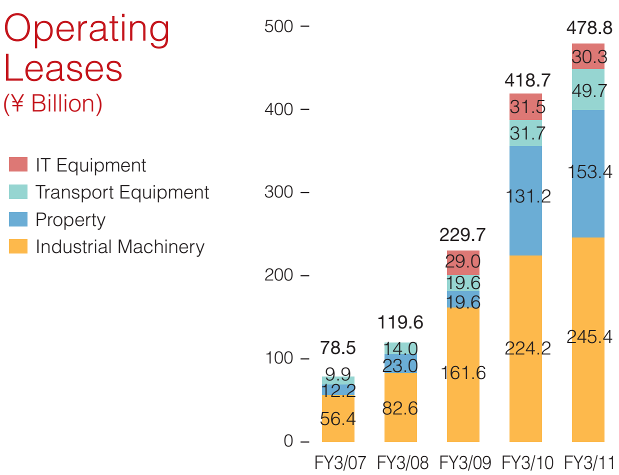
In the environmental field, as well as starting full operation of a carbon offset business, we actively rolled out environment-friendly products and services such as ESCO and Green Lease, responding thus to customer environmental needs. Additionally, in response to the increased demand in the environmental field overseas, we signed a memorandum of understanding with the International Finance Corporation (IFC), a member of the World Bank Group, to jointly provide finance for energy-saving- and eco-related projects mainly in developing countries. In this way, we worked to establish a system to support the global rollout of eco-related business.

Results for the Fiscal Year Ended March 31, 2011

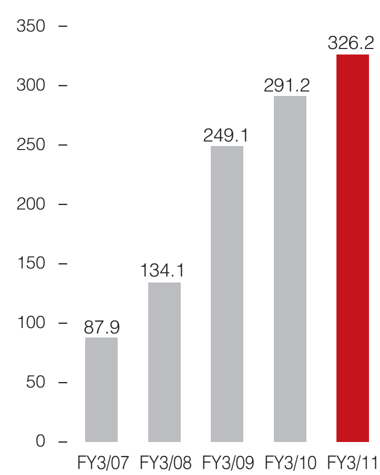
With private-sector capital expenditure stagnant, the consolidated revenues of the Mitsubishi UFJ Lease & Finance Group declined by 3.0% year on year to ¥724.8 billion. Nevertheless, we achieved an 8.4% year-on-year increase in gross profit to

Key Results

Operating Leases
(¥ Billion)



e-Leasing Direct
(¥ Billion)



¥118.7 billion. This was thanks to efforts to raise profitability by offering products and services with added value rather than simply relying on price differentiation, combined with fund procurement at stable low rates of interest and other measures.

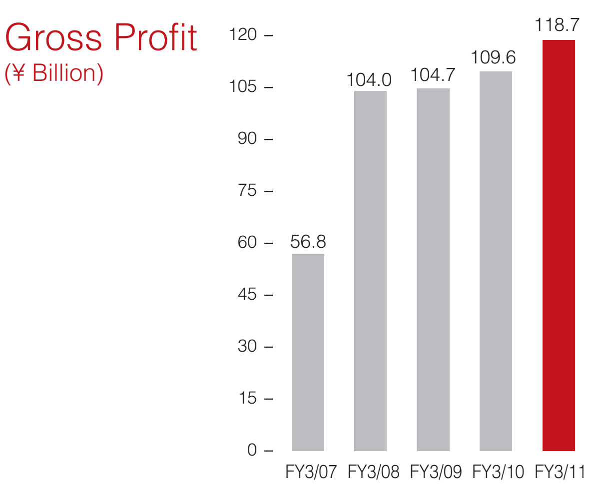
Meanwhile, as a result of efforts to reduce the number of new delinquencies through stringent screening, total credit costs related to doubtful assets were reduced by 66% year on year to ¥13.3 billion. With an accompanying 116.5% year-on-year increase in operating income to ¥55.9 billion, a new profit record was set.

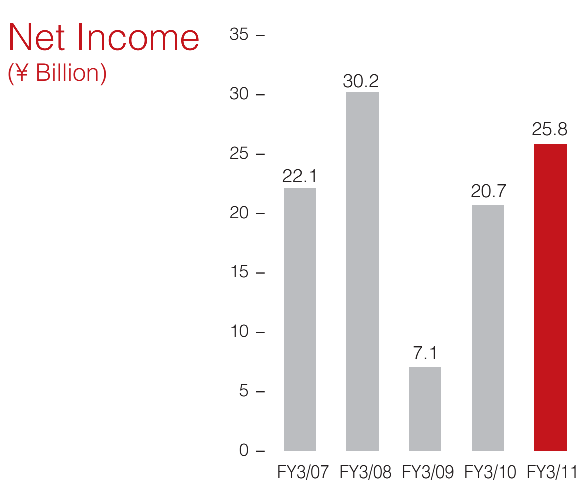
In connection with the Great East Japan Earthquake of March 2011, a provision of ¥9.7 billion as an allowance for doubtful receivables was recorded in the accounts as an extraordinary loss. Despite this, net income achieved a 24.3% year-on-year increase to ¥25.8 billion.

Business Environment

Private-sector capital expenditure in Japan remains at a low level due to factors including reduced domestic demand arising from changes in domestic consumption patterns and changes in corporate investment behavior. Moreover, the growing globalization and borderlessness of economic activity has led to an increasingly conspicuous overseas shift of capital expenditure. In addition to the shift to overseas-based manufacturing, in recent years the expansion of demand in developing countries means that investment plans now target developing countries as consumer markets. For these and other reasons, overseas investment is an increasingly important part of private-sector capital expenditure.

According to the statistical research, whereas overseas capital expenditure only equaled 25% of domestic capital expenditure in fiscal 2005 (in a survey based on all sectors), this figure had grown to over 33% in fiscal 2010, indicating the growing relative importance of overseas capital expenditure. In particular in the automotive industry, which accounts for around 50% of all capital expenditure, overseas capital expenditure was 17% greater than domestic expenditure, further intensifying the overseas shift of capital expenditure. A look at the factors behind private-sector capital expenditure also shows that these have become more diverse and complex, expanding beyond the conventional type, aimed merely at enhancement of production, to include





investment for research and development and repair and maintenance as well as labor-saving, rationalization, and environmental conservation.

In the lease market, where private-sector capital expenditure is stagnant, the volume of business has been in decline for the last few years. Behind this appears to be a reduction in the monetary value of investments due to the falling prices of leased equipment and facilities as well as an overseas shift in capital expenditure and other changes in investment behavior.

However, compared to the United States, Europe, and other regions, the current level of lease penetration in the Japanese capital expenditure market suggests that there remains ample room for market expansion based on accurate detection of latent customer needs. By speedily identifying changes in private-sector investment behavior and in the factors driving investment, picking up on signs of change in the economic environment, then taking steps to anticipate these changes, it will be possible to stimulate new demand, for instance in the fields of eco-related investment and outsourcing of asset management.

Medium-Term Management Plan ***Vision 2013***

To achieve sustained growth as a truly comprehensive finance company in this business environment, the Mitsubishi UFJ Lease & Finance Group launched its Medium-Term Management Plan ***Vision 2013*** from the year beginning April 1, 2011. We will implement ***Vision 2013*** as a rolling plan, building on the framework of the previous ***Vision 2010***, but with new measures added to adapt to the business environment and customer needs.

Therefore, for the key businesses listed below, which were identified in ***Vision 2010*** as part of our growth strategy, we have earmarked the next three years as a phase for full-scale growth during which we will promote these businesses energetically.

● Core businesses (development and refinement of leases):
We will work to enhance and refine our financial services to respond to diverse customer needs, drawing on our special areas of expertise and our record of achievement and making optimum use of networks and alliances.

● Energy-saving- and eco-related business:
In ESCO and carbon offset services, which are one

Overview of *Vision 2013*

Growth Strategy

1. Offering unique Mitsubishi UFJ Lease & Finance services to expand the value chain
2. Accelerating global business expansion
3. Strengthening contact with customers
4. Promoting external growth strategy

- Core business (Lease)
- Energy saving, eco-related business
- International business
- Global asset
- Used equipment trade, appraisal
- Asset management
- Medical / nursing care

&

Strategy to Strengthen the Management Base

1. Enhancing the management infrastructure
2. Strengthening sales methods
3. Improving efficiency
4. Strengthening the IT strategy
5. Fostering a new corporate culture
6. Reforming human resources management
7. Further enhance credibility

Interview with the CEO

of our strengths, and other energy efficiency- and eco-related businesses, we will expand products and services and take other measures to meet a wide range of needs in Japan and overseas.

- International business:
  We will roll out the provision of finely tailored services to Japanese companies and, through alliances with major local finance companies, develop vendor finance and other services.
- Global assets:
  We will strengthen activities related to global assets such as shipping, aircraft, aircraft engines, containers, and freight vehicles.
- Used equipment purchase, sale, and valuation:
  We use our track record and expertise in leasing to offer sales of used property and equipment and other services to meet a wide range of customer needs.
- Asset management:
  As a solution contributing to greater operational efficiency for customers, we will expand the functions of our asset management outsourcing services.
- Medical and nursing business:
  We will enhance our range of products and services in this area, where growth in demand is expected.

In parallel with the growth strategy, we will energetically implement measures to enhance our management structure and improve efficiency and other strategies to strengthen our management base. With moves afoot toward global financial regulation, we believe that the lease operations which are at the core of business finance and the various financial services which we offer will become increasingly important in the future.

Meanwhile, we believe that the Mitsubishi UFJ Lease & Finance Group's services, functions, and networks can play an important role in infrastructural rebuilding, the recreation of urban environments, and other activities as part of the rehabilitation effort following the Great East Japan Earthquake in March 2011. We will give support to the rehabilitation by bringing to bear the combined strength of the Mitsubishi UFJ Lease & Finance Group.

Going forward, we envisage that steadily implementing the various strategies outlined in ***Vision 2013*** will bring us sustained growth as a leading company in the field of business finance and at the same time allow us to achieve harmonious coexistence with all stakeholders.

Special Feature

Design for Sustainable Growth

Products and Services

The Mitsubishi UFJ Lease & Finance Group draws on resources Group-wide to offer optimal solutions to customers.

Focus 01
Global Business

Launching into Growth—Global Business Development

As a comprehensive finance company at the forefront of its industry, Mitsubishi UFJ Lease & Finance has achieved powerful development by providing the leasing and financing techniques that support Japan's industrial base. In addition to finely tailored customer support delivered from some 30 offices in Japan and overseas, we make use of the expertise and networks of our Group companies to consistently anticipate market environments and customer needs by developing and offering appropriate products and services.

In recent times, the increasing globalization and borderlessness of economic activity has led to an upsurge in companies expanding overseas. The reasons for this overseas expansion are many and varied, but include the trend among Japanese companies to transfer production overseas in the quest for low-cost manufacturing bases and the growing tendency to view developing countries as consumer markets with vast potential due to the rapidly expanding demand driven by their remarkable rates of economic growth.

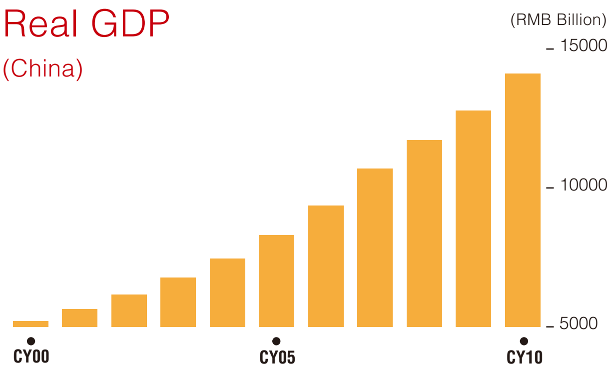
In order to meet the financing needs of customers as they expand overseas, Mitsubishi UFJ Lease & Finance has remained a step ahead of the full-scale overseas expansion of Japanese companies by strengthening its overseas network and functions, including the active establishment of offices overseas. Since the opening of the Hong Kong office in 1973, our network has spread to the United States, Europe, and Asia. In addition to our own overseas offices, strengthening of alliances means that our networks and services continue to expand.

Focus 01 Global Business

Mitsubishi UFJ Lease & Finance Group Global Network

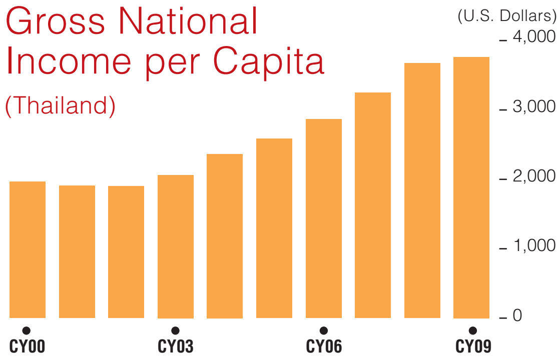
1. Targeting potential markets (China,Thailand)

China



China has now passed Japan in terms of GDP to become the world's second largest economic power after the United States. Through local offices in Shanghai and Hong Kong, Mitsubishi UFJ Lease & Finance offers a variety of products and services to meet a diverse range of capital expenditure needs. Meanwhile, taking advantage of the expertise and networks of the major Asian financial group Chailease Holding Limited, with which we entered into an operational alliance in 2010, we are also extending vendor finance to local enterprises. In expectation of rapid business expansion, in April 2011 we issued corporate bonds denominated in renminbi in the Hong Kong market. By increasing the flexibility of our fund procurement and taking other measures to reinforce our structures, we are energetically promoting our business.

Thailand



Since the 1980s, industrialization has brought economic growth to Thailand. Thanks to this economic growth, the middle income group, which made up around 30% of the Thai population in the 1990s, had grown to more than 50% in 2010, feeding a rapid expansion of domestic demand. Mitsubishi UFJ Lease & Finance established an office in Bangkok in 1993, and has steadily expanded its business by providing finance to Japanese companies growing a business in Thailand and to local enterprises. In response to the rising level of environmental awareness in recent years, demand in energy-saving- and eco-related fields has increased in Thailand. Mitsubishi UFJ Lease & Finance has signed a memorandum of understanding with the IFC, a member of the World Bank Group, concerning the joint promotion of energy-saving- and eco-related projects. Taking advantage of alliances and networks, we will continue to strengthen and expand our business base and the functions we provide.

At Mitsubishi UFJ Lease & Finance, we view the developing countries of Asia, with their remarkable rates of growth, as a key region, and by increasing personnel, investing in systems, and other concentrated investments of operational resources, we aim to continuously expand our business there.

2. Expansion into new fields

United States

The U.S. offices of Mitsubishi UFJ Lease & Finance are located in the east-central state of Kentucky, which has an industrial cluster of automotive-related and other enterprises, and the west coast state of California, where many Japanese companies have set up. In April 2010, our group company M-CAST, Inc., concluded a business alliance with Block Imaging International, Inc., a major U.S. trading company dealing in used medical equipment, as part of moves to strengthen alliances. In the broad-based U.S. market, Mitsubishi UFJ Lease & Finance is using its diverse services and wide-ranging networks to promote its business.

As many enterprises become very cautious about making new capital expenditure in Japan, Mitsubishi UFJ Lease & Finance seeks to uncover latent needs and integrate them into its products and services, in this way stimulating investment activity among customers and attaining growth.

Expanding Possibilities— Widening Our Business Range

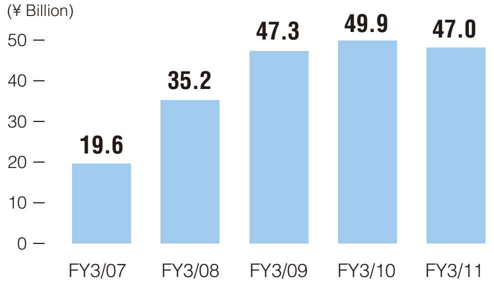
Focus 02

Eco-Related Business

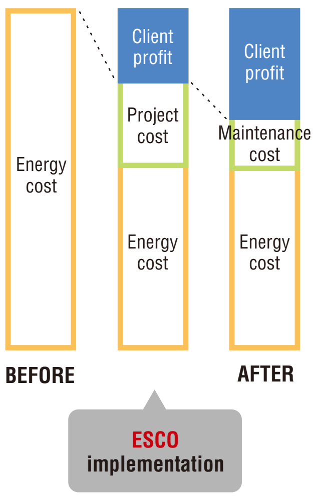
1. Providing environmental solutions
(ESCO, carbon offset services)

Initiatives are under way to reduce the environmental burden, which all enterprises inevitably impose in the course of their business activities. Mitsubishi UFJ Lease & Finance is a pioneer of the ESCO business, which promotes energy efficiency by offering package solutions, and has actively rolled out relevant operations in Japan and overseas.

ESCO Outstanding



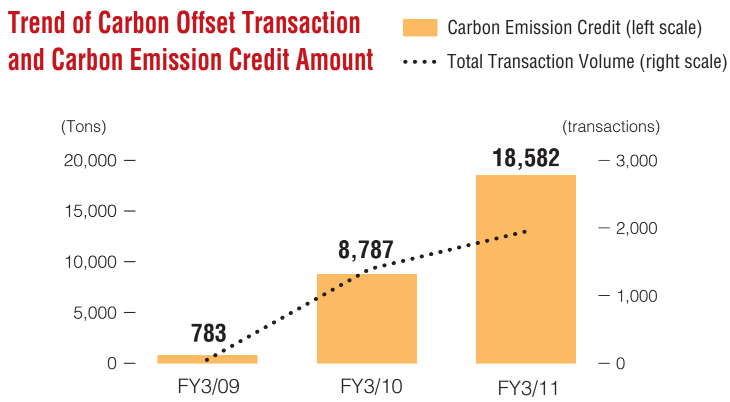
ESCO Merits



ESCO Flow Chart

1. Providing environmental solutions (ESCO, carbon offset services)

Meanwhile, we are putting in place a system capable of a finely tailored response to a variety of customer needs in the emission credit-related business. In the expanding field of environmental needs, Mitsubishi UFJ Lease & Finance will aim for business expansion by offering characteristically unique solutions.

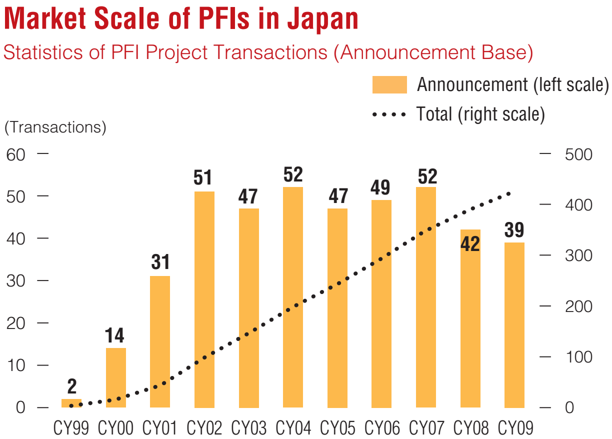


2. Sharing prosperity with industry and local communities (electric vehicles, PFIs)

By providing a diverse range of functions, products and services, Mitsubishi UFJ Lease & Finance contributes to the prosperity of local communities and new industries. One example is the area of electric vehicles, which have attracted attention as a possible solution to environmental problems. In addition to providing finance to promote the widespread introduction of electric vehicles, Mitsubishi UFJ Lease & Finance is involved in putting in place elements of the infrastructure such as high-speed charger units. To give another example, as part of our belief in services with strong relevance to their local communities, we are involved in 44 PFIs across Japan, contributing through these projects to the revitalization of local communities by offering comprehensive services based on expertise accumulated in a wide range of operations. In this way, Mitsubishi UFJ Lease & Finance aims for sustainable growth based on the prosperity of industry and local communities.

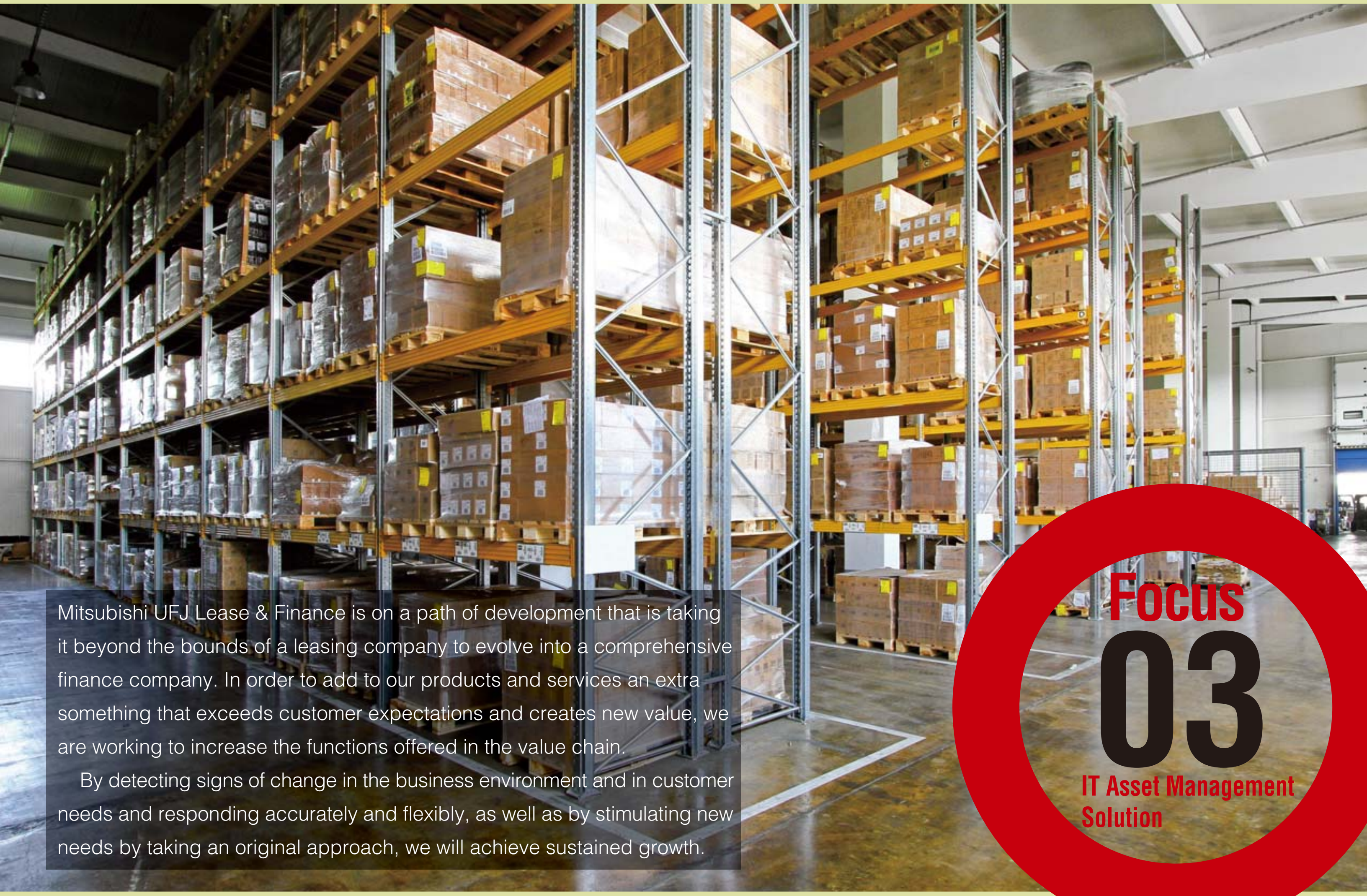

The rapid spread of EV and EV battery chargers is expected.


Obu Culture & Communication Facility Project



Source: Japan PFI PPP Association "PFI Yearbook 2010"

Corporate Strategy



Mitsubishi UFJ Lease & Finance is on a path of development that is taking it beyond the bounds of a leasing company to evolve into a comprehensive finance company. In order to add to our products and services an extra something that exceeds customer expectations and creates new value, we are working to increase the functions offered in the value chain.

By detecting signs of change in the business environment and in customer needs and responding accurately and flexibly, as well as by stimulating new needs by taking an original approach, we will achieve sustained growth.

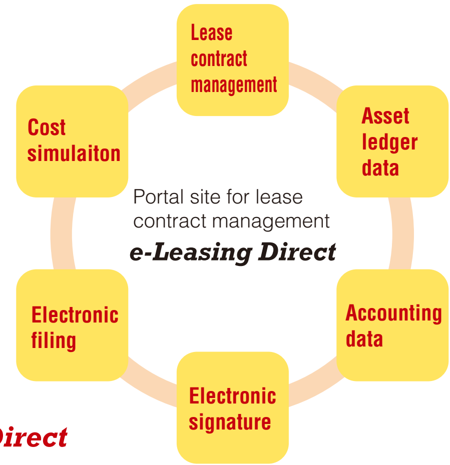
Focus 03

IT Asset Management Solution

Creating New Value—Expanding the Functions We Offer

1. Expanding outsourcing functions (*e-Leasing Direct*)

e-Leasing Direct is a unique service created by Mitsubishi UFJ Lease & Finance which allows all procedures involved in a lease transaction, from the conclusion of the contract through to completion, to be carried out online. By linking data on leased assets with information on lease transactions, it smoothes asset management for the customer and makes it easier to identify costs, thus realizing a more efficient operation. By actively reflecting customer needs and requirements in its development and thus



Principal Functions of *e-Leasing Direct*

1. Expanding outsourcing functions *(e-Leasing Direct)*

expanding functions, Mitsubishi UFJ Lease & Finance has greatly boosted the number of companies signing up for ***e-Leasing Direct***.

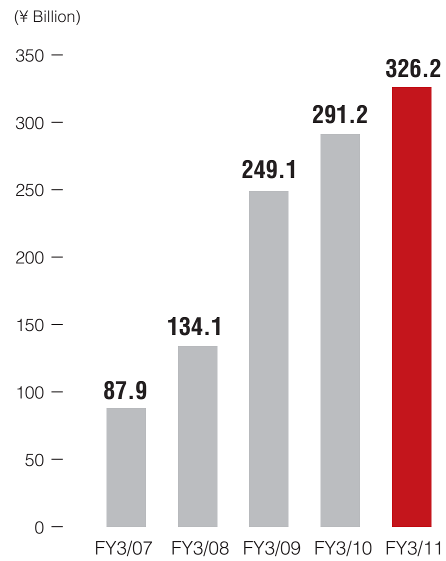
Going forward, by continuing to increase the sophistication of our products and services, we are committed to accurately meeting customer needs.

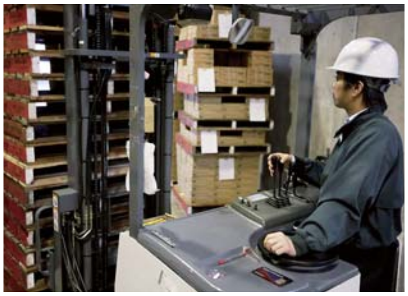
User Merit

1. Outsourcing of asset management
2. Simple account treatment
3. Reinforces J-SOX* framework

*J-SOX: Japan's Financial Instruments and Exchange Act

e-Leasing Direct Outstanding





2. Refining one-stop services (DREAMS)

DREAMS—standing for Diamond Rental's Effective Asset Management Solution—is a management service for IT assets offered by Diamond Rental System Company Limited (DRS), a member of the Mitsubishi UFJ Lease & Finance Group. Adoption of DREAMS allows a company to manage its IT assets, including PCs and other equipment, from installation through to disposal using a dedicated database, making for an optimal and highly efficient service.

DREAMS

In this way, by developing services that offer one-stop packages to save customers resources and stress, we will continue to offer solutions unique to Mitsubishi UFJ Lease & Finance.

Message from the Chairman

In Pursuit of Ever Greater Corporate Value

Mitsubishi UFJ Lease & Finance seeks to build firm relationships of trust with diverse groups of stakeholders—customers, business partners, shareholders and investors, local communities and employees—with the aim of coexisting with them in prosperity. That is why, to help communities and industry recover from the massive earthquake which struck eastern Japan in March of this year, we are committed to making donations and supporting volunteer work. We also aim to make a unique contribution to rehabilitation through our business operations.

To earn the trust of society and stakeholders, we believe that conducting our business in a fair and highly transparent manner is our greatest responsibility. We have therefore consistently directed efforts toward strengthening corporate governance, which is the foundation of this responsibility. In addition to reinforcing management oversight functions by bringing in outside directors and outside auditors, we have adopted an executive officer system, which separates management decision-making and oversight functions from business execution functions, thus addressing the essential management issues of ensuring transparency and achieving a speedy and flexible response. The Mitsubishi UFJ Lease & Finance Group has also put in place a compliance system, under which final responsibility lies with the company president, working thus to ensure that management and business activities comply with laws and regulations. Additionally, to maintain business operations of an appropriate nature, a strict system of internal controls operates in line with the Financial Instruments and Exchange Act.

For our Group, which handles large volumes of corporate and personal information, information security is an important management issue. To define a common Group approach, we have formulated an Information Security Policy, which forms the basis for a stringently applied system of information protection and management. To check whether information security is operating appropriately, regular security audits are carried out.

In pursuit of ever greater value for all stakeholders, our Group will continue to implement a system of management with corporate governance at its core and to enhance the range of its corporate social responsibility activities.

Naotaka Obata
Chairman

Corporate Governance

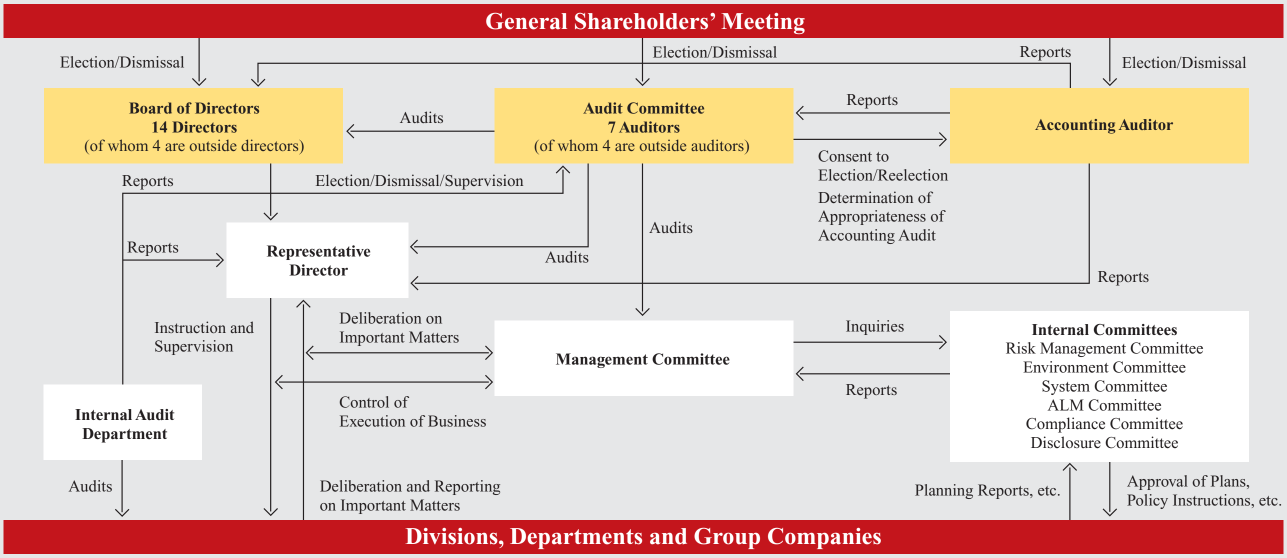
Mitsubishi UFJ Lease & Finance believes that preserving the transparency and soundness of its management is essential to establishing a firm relationship of trust with all stakeholders: customers, shareholders, investors and the public. Based on this belief, we constantly dedicate ourselves to strengthening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

Corporate Governance Structure

Mitsubishi UFJ Lease & Finance devotes continuous effort to strengthening corporate governance as a way of clearly defining our corporate responsibilities toward stakeholders and ensuring transparent and sound management. We have a team of 14 directors, of whom four are appointed as outside directors. In addition to meeting regularly, the Board of Directors can be convened flexibly on an ad-hoc basis to facilitate swift and appropriate decision-making. We have also introduced an executive officer system, which separates management decision-making and oversight functions from business execution functions, thereby clarifying roles and responsibilities. The executive officer team numbers 26, including nine officers who are jointly executive officers and directors. The Board of Corporate Auditors has the role of maintaining fair oversight of the directors' execution of business operations. Of its seven members, four are outside corporate auditors. The corporate auditors work together with the accounting auditor, departments involved in internal audit, and other divisions to maintain a strict watch on the way directors execute business.

Commitment to Society

Organization of Corporate Governance



Internal Committees

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

☐ **Risk Management Committee:**
Receives up-to-date reports on various risks from departments and branches, and checks countermeasures, policies and so forth against them

☐ **Environment Committee:**
Administers the environmental management system based on ISO 14001

☐ **System Committee:**
Checks efficiency of information systems and implements appropriate measures

☐ **ALM (Asset Liability Management) Committee:**
Manages market risks, such as interest rate risk, assesses current status and issues, and deliberates on countermeasures

☐ **Compliance Committee:**
Regularly reviews and assesses compliance with laws, regulations and rules, and ensures improvements to and establishment of the compliance system

☐ **Disclosure Committee:**
Deliberates on the adequacy of information disclosure and internal controls in relation to disclosure

Compliance/Risk Management

Compliance System

At Mitsubishi UFJ Lease & Finance, we consider compliance to be the foundation for gaining the trust of society and shareholders and as such one of the most important management issues.

The Compliance Committee is an advisory body to the Management Committee and has the role of carrying out regular inspections and checks to ensure that compliance is strictly implemented. Meeting every three months, it works to strengthen compliance and ensure that it is firmly established. The role of chief compliance officer, responsible for coordinating compliance company-wide, is taken on by the executive officer in charge of the Legal & Compliance Department, which provides support, instruction, and training in the area of compliance to other departments and branches. The Internal Audit Department checks regularly that these activities are being implemented.

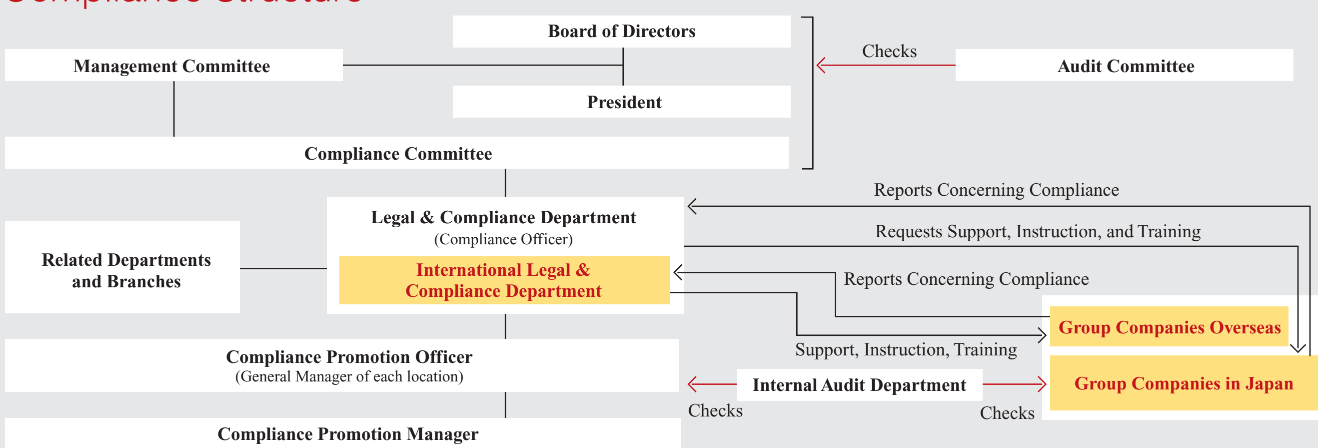
As a further measure, we have drawn up a Compliance Risk Map, which identifies the compliance risk associated with legal violations, breaches of our Code of Ethics, or other infringements, and presents an analysis of their potential frequency and impact. This information is used to maintain and strengthen the compliance system.

Internal Controls

We maintain a system of internal controls to make sure that operations are conducted appropriately and efficiently. Each department and branch reports regularly on the implementation status of internal controls to the Accounting Department, which coordinates the internal control system, while the Internal Audit Department is responsible for checking its content. The Accounting Department submits a quarterly report on the implementation of internal controls to the Disclosure Committee, which is also presented to the accounting auditor. To increase the reliability of financial reports, we are promoting the documentation of operational processes. This establishment of an internal control system has been carried out in accordance with Japan's Financial Instruments and Exchange Act, enacted in fiscal 2008.

In addition to the above measures, we have formulated an Internal Controls Handbook, which has been distributed to all employees as part of efforts to improve understanding of internal controls and make sure that they are applied in day-to-day operations.

Compliance Structure



International Financial Reporting Standards (IFRS)

The revision of the International Financial Reporting Standards (IFRS) now being implemented by the International Accounting Standards Board (IASB) includes a revision of lease accounting standards. As a core member of the Japan Leasing Association, Mitsubishi UFJ Lease & Finance is providing explanations of the leasing business in Japan and presenting opinions to ensure the preparation of appropriate lease accounting standards.

Internally, we have set up an IFRS Office (established in 2011) and an IFRS project team. These units are examining in advance the effect which the IFRS revisions will have on accounting systems and other areas and developing the capability to offer customers appropriate solutions to their IFRS-related financing requirements.

Risk Management

Risk management system

At Mitsubishi UFJ Lease & Finance, a clearly outlined policy is in place to minimize the impact on business operations in the event of an accident, disruption, natural disaster, or risk arising from human error. This policy forms the basis of our rules for risk management and disaster response and the corresponding manuals. In the event of an accident or natural disaster, our systems ensure that a unit to lead the response is identified on a flexible basis reflecting the situation and that immediate action is taken according to predetermined roles. We are working to further improve our risk management system, for instance by putting in place a practical business continuity plan for the event of a disaster.

Risk management policy

In the event of a risk arising, the foremost priority of the Mitsubishi UFJ Lease & Finance Group is to ensure that the decisions made and the action taken, work to preserve public trust.

Information Security

At Mitsubishi UFJ Lease & Finance, we appreciate the importance of protecting data of various kinds, particularly personal information relating to customers. We take steps to ensure that information security management is strictly implemented and to strengthen the system of management for personal information protection.

Our information security management rules and the associated manual set out relevant policies and provisions, including our security policy, categories of importance for information assets, and rules for the use, management, and disposal of information. In parallel, we have put in place an information security environment by introducing a system to prevent misdirection of e-mails, providing management tools for printed materials and recording media, and reinforcing security protection on websites for customer use. As an extension of these activities, we participated in the Information Security Awareness Month organized by Japan's National Information Security Center, aiming thus to further raise awareness of information security.

To promote personal information protection, we post our personal information protection policy on our website and have formulated a set of personal information protection rules to ensure appropriate handling of information in line with legal requirements. We have additionally introduced rules on methods of obtaining and managing information and issued a personal information protection manual for the purpose of staff education.

To supplement these measures, four times a year, we perform information security audits and use e-learning methods to check the level of awareness of all personnel, including temporary staff. Through these and other measures for continuous in-house education, we are working to firmly establish our information security management system.

Group Management

At the Mitsubishi UFJ Lease & Finance Group, to ensure that the Group as a whole lives up to the trust and the expectations of customers and the public, we strive to optimize operations at the Group-wide level and work to strengthen Group management in the areas of internal controls and compliance.

Each Group employee retains a copy of the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior, which define a set of basic values and ethics shared across the Group. In this way, we encourage staff to approach their duties with a high level of awareness.

Corporate Social Responsibility

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

For Our Shareholders and Investors

Basic stance

To live up to the trust and expectations of shareholders and investors, Mitsubishi UFJ Lease & Finance works to increase corporate value and emphasizes benefit to shareholders. To promote a better understanding of our management and business activities, we also undertake appropriate and timely information disclosure and engage proactively in communication.

Objectives and basic approach of investor relations activities

The basic approach of our investor relations policy is to proactively and continuously disclose accurate, timely, and fair information on management policies, business strategies, business activities, financial position, and other topics so as to earn the trust of shareholders and investors and enable them to make impartial judgments. On this basis, we engage in wide-ranging communication with our shareholders and investors to build long-term relationships of trust.

Investor relations policy (outline)

1. Objectives and basic approach of investor relations activity
2. Disclosure standards
3. Disclosure methods
4. Forward-looking statements
5. Material confidential information
6. Quiet periods

Emphasizing communication with shareholders and investors

At Mitsubishi UFJ Lease & Finance, we emphasize communication with shareholders and investors and provide timely and appropriate information relating to our financial results and business activities through our website, presentations for investors, and other channels.

Additionally, as an opportunity for direct dialog with shareholders and investors, we take an active part in a range of events to encourage a better understanding of our business operations.

IR seminar for individual investors

For Customers

Basic approach

The management philosophy of Mitsubishi UFJ Lease & Finance commits us to working to earn the trust of customers and to presenting customers with optimal solutions.

Through dialog with customers, we attempt to identify needs and issues and then present the most appropriate solutions to them.

Strengthening customer contact

To strengthen contact with customers, Mitsubishi UFJ Lease & Finance participates actively in a wide range of business fairs and exhibitions in Japan and overseas. Among the events at which we exhibited in fiscal 2011 were the MUFG Business Matching in Shanghai organized by the Mitsubishi UFJ Financial Group and the 2010 Japan-China Energy-Saving and Environmental Technologies Business Matching organized by the Japan External Trade Organization (JETRO) in Guangzhou, China. These gave us valuable opportunities to speak face-to-face with customers in China, which is experiencing dramatic growth.

Going forward, through active participation in business fairs and related events, we aim to continue expanding direct communication with customers.

SYMPHONY real estate leases

The SYMPHONY real estate leases offered by Mitsubishi UFJ Lease & Finance are leases whereby we rent land from the landowner under a commercial leasehold agreement, construct a building on it in line with customer specifications, and then lease the building to the customer.

Since the 1992 Act on Land and Building Leases introduced commercial leasehold agreements, we have actively promoted this service, which has built up a considerable record of achievement through numerous projects including commercial facilities and showrooms developed as part of a chain operation, commercial complexes, and logistics and delivery centers.

Since the customer pays almost all costs, including site preparation, construction, design, security deposits, and land rent in the form of a single lease payment made in monthly installments, this form of lease helps to spread the cost burden of the initial investment.

Moreover, this service is not limited to providing finance. We participate from the planning stage, undertaking negotiations with the landowner and the authorities on the customer's behalf, and advising on or even selecting the company to carry out the design, maintenance, and management of the facility, in this way providing a finely tailored total service.

Advantages of SYMPHONY

(1) Reduces the burden of the initial investment
(2) Reduces the burden on cash flow
(3) Makes costs easy to identify
(4) Facilitates negotiations with multiple landowners
(5) Simplifies management procedures relating to the ownership of the building

For Communities and Regions

Basic approach

At Mitsubishi UFJ Lease & Finance, we are committed as a corporate citizen to contributing to the realization of a more prosperous society by building relationships of trust with local communities and delivering new value to them. In addition to corporate social contribution activities delivered through our business activities, we are actively engaged as a member of the local community in supporting the development of the next generation and in promoting coexistence with the environment and society.

Promotion of private finance initiatives

The use of private finance initiatives (PFIs), which make private-sector funding and know-how available to public-sector facilities and other projects for the whole process from construction to maintenance and operation, is a technique which combines higher-quality service with reduced project costs and as such has an expanding range of application. We have been among the most active proponents of PFI operations since they were first introduced in Japan, working through them to enhance regional infrastructures. We have so far participated in 44 relevant projects, in 15 of which we acted as the lead company coordinating the project overall (as of March 31, 2011).

Social contribution activity

In connection with the major earthquake that struck eastern Japan in March 2011, the Mitsubishi UFJ Lease & Finance Group has collected voluntary donations Group-wide to present to the non-governmental organization Japan Platform, which is undertaking relief activities in the affected areas. We have also made donations as a company through the Central Community Chest of Japan.

Board of Directors, Corporate Auditors and Executive Officers (as of June 29, 2011)

Board of Directors

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

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

Corporate Auditors

Corporate Auditors	**Makoto Tsuji**
	Shigeyuki Murai
	Hiromasa Oda
	Tatsunori Imagawa Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
	Shoji Tokumitsu President of Chukyo TV Broadcasting Co., Ltd.
	Shinichiro Hayakawa Professor of University of Tokyo, Graduate School of Arts and Sciences
	Shigeru Tsuburaya President of Mitsubishi UFJ Real Estate Securities Co., Ltd.

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

Executive Officers

Managing Executive Officers	**Nobuyoshi Ishii**
	Kiyohiko Kohama
	Akio Wada
	Masaaki Yokote
	Hiroyuki Kimijima
	Osamu Miki
	Kiyoshi Tada
	Kaoru Matsumoto
Executive Officers	**Tetsuro Nishi**
	Tatsuhisa Takahashi
	Hideki Kobayakawa
	Masashi Oonuki
	Naoki Sato
	Tetsuo Kasuya
	Akira Hane
	Yoshitoshi Kuzuya
	Yuzuru Suzuki

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

Financial Information

Management's Discussion and Analysis

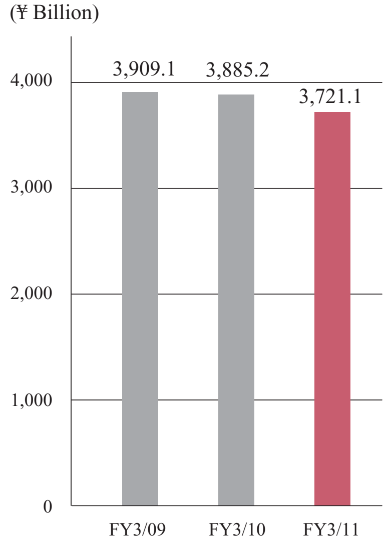
Business Results

During the year ended March 31, 2011, to underpin its growth as a comprehensive finance company, Mitsubishi UFJ Lease & Finance steadily implemented the strategies identified in the Medium-Term Management Plan ***Vision 2010***. Due to the stagnant state of private-sector capital expenditure and other factors, the consolidated volume of new transactions fell by 10.1% year on year to ¥1,169.5 billion. By segment, the consolidated volume of new transactions fell year on year by 15.1% in the leasing business to ¥438.7 billion, by 2.4% in the installment sales business to ¥49.4 billion, by 2.3% in the loans business to ¥634.3 billion, and by 44.8% in other businesses to ¥47.0 billion.

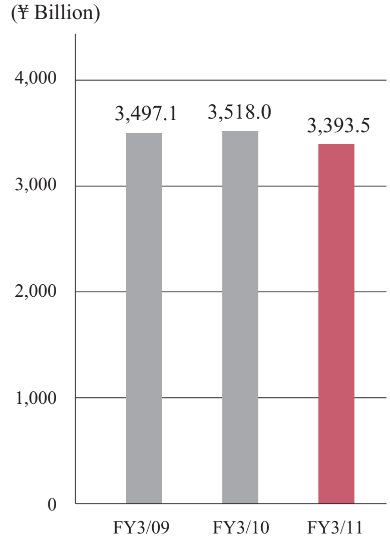
Revenues declined by 3.0% year on year to ¥724.8 billion, but thanks to stable fund procurement at low rates of interest, and to profit-oriented sales activity, gross profit grew by ¥9.1 billion or 8.4% year on year to ¥118.7 billion.

Selling, general and administrative expenses were reduced by 25.0% or ¥20.9 billion year on year to ¥62.8 billion, notably by using stringent credit screening to limit credit costs related to doubtful assets. As a result, operating income increased by ¥30.0 billion or 116.5% year on year to set a new record of ¥55.9 billion.
In connection with the Great East Japan Earthquake, a provision of ¥9.7 billion as an allowance for doubtful receivables was recorded under other expenses. In spite of this, net income increased by ¥5.0 billion or 24.3% year on year to ¥25.8 billion.

Total Assets
(¥ Billion)



Operating Assets
(¥ Billion)



Financial Position

Total assets as of March 31, 2011, stood at ¥3,721.1 billion, representing a decline of ¥164.0 billion year on year. Consolidated total equity rose by ¥22.9 billion from the previous fiscal year-end to ¥389.8 billion, due chiefly to the impact of increased net income, while the equity ratio rose by 0.9 percentage point from the end of the previous fiscal year to 10.0%. The balance of interest-bearing debt was reduced by ¥187.4 billion from the end of the previous fiscal year to ¥2,961.5 billion.

The main cash flows from operating activities were inflows of ¥46.3 billion in income before income taxes and minority interests; ¥85.9 billion in non-cash expenses relating to leased assets, specifically depreciation and amortization, and disposal and sale of assets; ¥90.6 billion in decrease in lease receivables and investments in lease; and ¥40.3 billion in decreases in loan receivables, marketable and investment securities. Of these inflows, ¥108.4 billion was used for purchases of leased assets, and after subtracting this and other allocations, net cash provided stood at ¥224.3 billion, an increase on the ¥52.0 billion of the previous fiscal year.

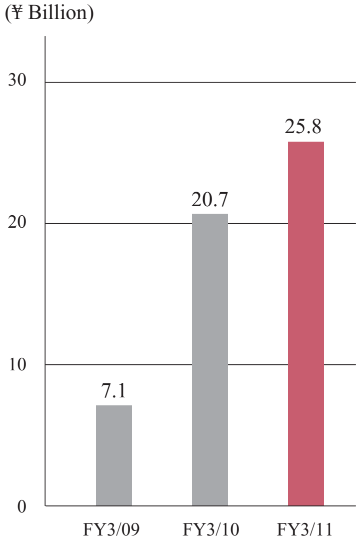
Investing activities used net cash of ¥5.4 billion, contrasting with net cash used of ¥11.4 billion in the previous fiscal year. Sales and redemption of investment securities provided ¥4.8 billion, which was balanced by outflows including ¥5.0 billion for purchases of property and equipment and ¥5.3 billion for purchases of investment securities.

Financing activities used net cash of ¥191.7 billion, compared with net cash used of ¥82.4 billion in the previous fiscal year. This was mainly a result of cash outflows of ¥61.3 billion from direct financing and ¥125 billion from indirect financing such as bank loans, together with ¥4.4 billion for payment of cash dividends.

As a result, cash and cash equivalents as of March 31, 2011, increased by ¥27.4 billion or 211.3% year on year to ¥40.4 billion.

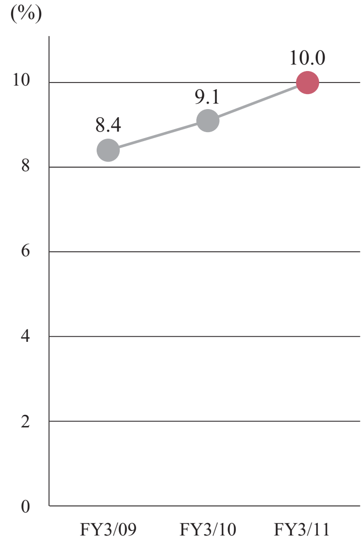
Net Income

(¥ Billion)



Equity Ratio

(%)



Financial/Corporate Information

Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
Assets			
Current assets:			
Cash and cash equivalents (Note 20)	¥ 40,409	¥ 12,980	$ 486,855
Time deposits other than cash equivalents (Note 20)	992	617	11,952
Marketable securities (Notes 4 and 20)	75,194	94,259	905,953
Receivables:			
Lease	17,431	20,695	210,012
Installment sales (Notes 10 and 20)	280,523	342,386	3,379,795
Loans (Notes 10 and 20)	1,174,661	1,222,770	14,152,542
Lease receivables and investments in lease (Notes 7, 10 and 20)	1,194,685	1,258,447	14,393,795
Inventories (Note 5)	14,426	11,072	173,807
Deferred tax assets (Note 18)	10,750	11,051	129,518
Prepaid expenses and other	41,648	69,260	501,783
Allowance for doubtful receivables (Note 20)	(30,023)	(21,768)	(361,723)
Total current assets	2,820,696	3,021,769	33,984,289
Leased assets — at cost	697,793	587,647	8,407,145
Accumulated depreciation	(218,906)	(168,939)	(2,637,422)
Net leased assets	478,887	418,708	5,769,723
Advances for purchases of leased assets	1,644	10,611	19,808
Total leased assets (Notes 6, 8 and 10)	480,531	429,319	5,789,531
Investments and other assets:			
Investment securities (Notes 4, 10 and 20)	241,528	255,246	2,909,976
Investments in unconsolidated subsidiaries and associated companies (Notes 10 and 20)	23,218	26,397	279,735
Investment in equity other than capital stock	10,574	2,004	127,398
Goodwill (Note 9)	43,417	46,747	523,096
Long-term receivables (Note 20)	40,922	46,351	493,036
Deferred tax assets (Note 18)	13,768	12,142	165,880
Other (Note 10)	42,956	41,417	517,541
Allowance for doubtful receivables (Note 20)	(9,335)	(8,488)	(112,470)
Total investments and other assets	407,048	421,816	4,904,192
Property and equipment — at cost	19,880	18,669	239,518
Accumulated depreciation	(7,018)	(6,412)	(84,554)
Net property and equipment	12,862	12,257	154,964
Total	¥3,721,137	¥3,885,161	$44,832,976

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
Liabilities and Equity			
Current liabilities:			
Short-term borrowings (Notes 11, 17 and 20)	¥1,464,453	¥1,550,575	$17,644,012
Current maturities of long-term debt (Notes 10, 11 , 17 and 20)	381,034	422,131	4,590,771
Payables — trade (Note 20):			
Notes	5,492	7,088	66,169
Accounts	77,511	73,487	933,867
Accrued expenses	12,930	20,300	155,783
Income taxes payable	13,496	8,706	162,602
Deposits from customers	17,722	16,795	213,518
Deferred profit on installment sales (Note 20)	38,375	45,334	462,349
Other (Notes 10 and 18)	62,921	68,118	758,085
Total current liabilities	2,073,934	2,212,534	24,987,156
Long-term liabilities:			
Long-term debt, less current maturities (Notes 10, 11, 17 and 20)	1,156,566	1,218,480	13,934,530
Liability for retirement benefits (Note 12)	2,923	2,642	35,217
Asset retirement obligations	11,527		138,880
Deferred tax liabilities (Note 18)	8,070	8,306	97,229
Other (Note 10)	78,314	76,307	943,542
Total long-term liabilities	1,257,400	1,305,735	15,149,398
Commitments and contingent liabilities (Notes 13 and 21)			
Equity (Notes 14 and 25):			
Common stock — authorized, 320,000,000 shares in 2011 and 2010; issued, 89,583,416 shares in 2011 and 2010	33,196	33,196	399,952
Capital surplus	166,789	166,789	2,009,506
Stock acquisition rights (Note 15)	344	181	4,145
Retained earnings	177,604	156,354	2,139,807
Treasury stock — at cost, 26,906 shares in 2011 and 26,888 shares in 2010	(75)	(75)	(904)
Accumulated other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities	1,506	(84)	18,145
Deferred loss on derivatives under hedge accounting	(1,228)	(1,582)	(14,795)
Foreign currency translation adjustments	(4,057)	(2,887)	(48,880)
Total	374,079	351,892	4,506,976
Minority interests	15,724	15,000	189,446
Total equity	389,803	366,892	4,696,422
Total	¥3,721,137	¥3,885,161	$44,832,976

Financial/Corporate Information

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
Revenues:			
Customer finance	¥590,080	¥621,799	$7,109,397
Asset finance	134,683	125,244	1,622,687
Total revenues	724,763	747,043	8,732,084
Costs(Note 17)**:**			
Customer finance	506,512	542,835	6,102,554
Asset finance	99,521	94,639	1,199,048
Total costs	606,033	637,474	7,301,602
Gross profit	118,730	109,569	1,430,482
Selling, general and administrative expenses (Note 16)	62,847	83,756	757,193
Operating income	55,883	25,813	673,289
Other income (expenses):			
Dividend income	856	1,209	10,313
Interest expense — net of interest income of ¥22 million ($265 thousand) in 2011 and ¥46 million in 2010 (Note 17)	(2,256)	(2,409)	(27,181)
Gain on negative goodwill (Note 3)	194	9,059	2,337
Gain on step acquisitions of consolidated subsidiary (Note 3)		3,348	
Loss on revaluation of investments in securities or investments in unconsolidated subsidiaries and associated companies	(1,799)	(450)	(21,675)
Loss on sales of investment in the associated company	(1,502)		(18,096)
Provision of allowance for doubtful receivables caused by the disaster (Note 2.j)	(9,729)		(117,217)
Other — net	4,603	1,574	55,458
Other income (expenses) — net	(9,633)	12,331	(116,061)
Income before income taxes and minority interests	46,250	38,144	557,228
Income taxes (Note 18):			
Current	21,408	18,901	257,928
Deferred	(2,182)	(3,018)	(26,290)
Total	19,226	15,883	231,638
Net income before minority interests	27,024	22,261	325,590
Minority interests in net income	1,268	1,534	15,277
Net income	¥ 25,756	¥ 20,727	$ 310,313

	Yen		U.S. Dollars
	2011	2010	2011
Amounts per share of common stock (Note 24)**:**			
Basic net income	¥ 287.59	¥ 231.44	$ 3.46
Diluted net income	287.28	231.36	3.46
Cash dividends applicable to the year	50.00	48.00	0.60

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Year ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
Net income before minority interests	¥27,024	$325,590
Other comprehensive income (Note 22)**:**		
Net unrealized gain on available-for-sale securities	1,602	19,301
Deferred gain on derivatives under hedge accounting	350	4,217
Foreign currency translation adjustments	(1,161)	(13,988)
Share of other coprehensive income in associates	(33)	(397)
Total other comprehensive income	758	9,133
Comprehensive income (Note 22)	¥27,782	$334,723
Total comprehensive income attributable to (Note 22)**:**		
Owners of the parent	¥26,529	$319,627
Minority interests	1,253	15,096

See notes to consolidated financial statements.

Financial/Corporate Information

Consolidated Statements of Changes in Equity

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Years ended March 31, 2011 and 2010

	Thousands of Shares		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011	2010	2011
Common stock					
Beginning balance	89,583	89,583	¥ 33,196	¥ 33,196	$ 399,952
Ending balance	89,583	89,583	¥ 33,196	¥ 33,196	$ 399,952
Capital surplus					
Beginning balance			¥166,789	¥166,789	$2,009,506
Ending balance			¥166,789	¥166,789	$2,009,506
Stock acquisition rights					
Beginning balance			¥ 181		$ 2,181
Net change in the year (Note 15)			¥ 163	¥ 181	1,964
Ending balance			¥ 344	¥ 181	$ 4,145
Retained earnings					
Beginning balance			¥156,354	¥139,858	$1,883,783
Net income			25,756	20,727	310,313
Cash dividends paid			(4,388)	(4,209)	(52,867)
Adjustment of retained earnings of newly consolidated subsidiaries			(52)	(22)	(627)
Change of scope of equity method			(66)		(795)
Ending balance			¥177,604	¥156,354	$2,139,807
Treasury stock					
Beginning balance	(27)	(27)	¥ (75)	¥ (74)	$ (904)
Net change in the year				(1)	
Ending balance	(27)	(27)	¥ (75)	¥ (75)	$ (904)
Accumulated other comprehensive income:					
Net unrealized gain (loss) on available-for-sale securities					
Beginning balance			¥ (84)	¥ (5,105)	$ (1,012)
Net change in the year			1,590	5,021	19,157
Ending balance			¥ 1,506	¥ (84)	$ 18,145
Deferred loss on derivatives under hedge accounting					
Beginning balance			¥ (1,582)	¥ (618)	$ (19,060)
Net change in the year			354	(964)	4,265
Ending balance			¥ (1,228)	¥ (1,582)	$ (14,795)
Foreign currency translation adjustments					
Beginning balance			¥ (2,887)	¥ (5,082)	$ (34,783)
Net change in the year			(1,170)	2,195	(14,097)
Ending balance			¥ (4,057)	¥ (2,887)	$ (48,880)
Minority interests					
Beginning balance			¥ 15,000	¥ 13,669	$ 180,723
Net change in the year			724	1,331	8,723
Ending balance			¥ 15,724	¥ 15,000	$ 189,446

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
Operating activities:			
Income before income taxes and minority interests	¥ 46,250	¥ 38,144	$ 557,228
Adjustment for:			
Income taxes-paid	(16,512)	(13,756)	(198,940)
Depreciation and amortization	79,925	69,166	962,952
Amortization of negative goodwill	(25)	(25)	(301)
Provision of allowance for doubtful receivables	11,041	8,725	133,024
Loss on disposal and sales of leased assets	12,955	19,958	156,084
Loss on revaluation of investment securities or investments in unconsolidated subsidiaries and associated companies	1,799	450	21,675
Gain on negative goodwill	(194)	(9,059)	(2,337)
Changes in assets and liabilities			
Decrease in trade receivables	64,440	31,553	776,386
Decrease in lease receivables and investments in lease	41,860	56,703	504,337
Decrease in operating securities and investment in private equity	27,928	13,653	336,482
Increase (decrease) in trade payables	2,400	(29,470)	28,916
Decrease in interest payable	(974)	(645)	(11,735)
Purchases of leased assets	(108,404)	(175,436)	(1,306,072)
Other — net	61,816	42,053	744,771
Total adjustments	178,055	13,870	2,145,242
Net cash provided by operating activities	224,305	52,014	2,702,470
Investing activities:			
Purchases of property and equipment	(5,035)	(7,428)	(60,662)
Purchases of investment securities	(5,311)	(3,791)	(63,988)
Proceeds from sales and redemption of investment securities	4,765	1,195	57,410
Payments for acquisition of newly consolidated subsidiary		(6,185)	
Proceeds from acquisition of newly consolidated subsidiaries		196	
Payments for acquisition of consolidated subsidiary	(270)	(141)	(3,253)
Proceeds from withdrawal of time deposits	7	4,623	84
Other — net	442	115	5,325
Net cash used in investing activities	(5,402)	(11,416)	(65,084)
Financing activities:			
Repayments of long-term debt	(498,798)	(496,193)	(6,009,614)
Proceeds from long-term debt	397,464	606,904	4,788,723
Net decrease in short-term borrowings	(85,075)	(188,212)	(1,025,000)
Cash dividends paid	(4,388)	(4,209)	(52,868)
Other — net	(897)	(733)	(10,807)
Net cash used in financing activities	(191,694)	(82,443)	(2,309,566)
Foreign currency translation adjustments on cash and cash equivalents	(161)	71	(1,940)
Net increase (decrease) in cash and cash equivalents	27,048	(41,774)	325,880
Cash and cash equivalents of newly consolidated subsidiaries	381	101	4,590
Cash and cash equivalents, beginning of year	12,980	54,653	156,385
Cash and cash equivalents, end of year	¥ 40,409	¥ 12,980	$ 486,855

See notes to consolidated financial statements.

Additional information

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

On July 29, 2009 the Company acquired 34.5% of the common stock of Miyuki, increasing its voting interest to 52.8%, and consolidated the accounts of Miyuki from July 1, 2009. In addition to that, the Company acquired an additional 43.8% of the common stock of Miyuki, increasing its voting interest to 96.6%. Reconciliation of the net cash paid for investment in the Miyuki business is as follows:

	Millions of Yen
	2010
Current assets	¥ 4,316
Fixed assets	69,399
Current liabilities	(3,372)
Fixed liabilities	(44,857)
Negative goodwill	(8,621)
Minority interest	(414)
Cost of shares	16,451
Gain on step acquisitions of consolidated subsidiary	(3,348)
Acquisition costs at consolidation	(2,992)
Cash and cash equivalents held by Miyuki	(3,926)
Net cash paid for investment in Miyuki business	¥ 6,185

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

1. Basis of Presenting Consolidated Financial Statements

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 22.

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 2010 financial statements to conform to the classifications used in 2011.

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 ¥83=US$1.00, the approximate rate of exchange at March 31, 2011.

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, 2011 include the accounts of the Company and its 87 (86 in 2010) significant subsidiaries.

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

Investments in five (six in 2010) associated companies are accounted for by the equity method.

In September 2006, the Accounting Standards Board of Japan (the "ASBJ") issued Practical Issues Task Force No. 20, "Practical Solution Application of Control Criteria and Influence Criteria to Investment Associations." The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, silent partnerships and other entities with similar characteristics. The Company applied this task force guidance and consolidated four such collective investment vehicles in 2011 (three in 2010).

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

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

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

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

Tarami Corporation and their subsidiary ("Tarami") acquired by a subsidiary of the Company were not consolidated though the Company acquired a majority of their voting rights. The reason was the Company had not intended to control it as an owner but to improve their business for investment purpose through the consolidated private equity firm. The shares of Tarami were acquired during the year ended March 31, 2010 and presented as "Investment securities."

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

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

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

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

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

The Company applied the revised accounting standards effective April 1, 2009.

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

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

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

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

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

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

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

e. Revenue Recognition

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

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

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

The Companies follow the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥191,288 million ($2,304,675 thousand) in 2011 and ¥238,745 million in 2010, respectively.

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

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

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

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

The Companies have operating securities for generating operating income, that is interest and so on. The amounts of the operating securities included in "Marketable Securities" and "Investment Securities" were ¥74,694 million ($899,928 thousand) and ¥189,836 million ($2,287,181 thousand), respectively, as of March 31, 2011 and ¥94,159 million and ¥205,658 million, respectively, as of March 31, 2010. In addition, the Companies record income from those as "Revenues" in Consolidated Statements of Income.

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

The effect of this change was to increase marketable securities by ¥115 million, investment securities by ¥2,188 million and net unrealized gain on available-for-sale securities by ¥1,366 million, and to decrease deferred taxes by ¥937 million in 2010.

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

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

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

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

Buildings: 3 to 50 years

Furniture and equipment: 2 to 20 years

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

j. Allowance for Doubtful Receivables —The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Companies’ past credit loss experience and an evaluation of potential losses in the receivables outstanding. The amounts of Long-term receivables considered uncollectible, were directly written-off from the accounts. The amounts directly written-off were ¥35,698 million ($430, 096 thousand) and ¥42,313 million at March 31, 2011 and 2010, respectively.

The Companies recorded additional allowance for doubtful receivables caused by the disaster, the Great East Japan Earthquake that occurred in March 2011.

k. Retirement and Pension Plans

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

The liability for retirement benefits of the Company is computed based on projected benefit obligations and plan assets at the balance sheet date, while the liability for retirement benefits of the subsidiaries is provided at

100% of the amount which would be required if all employees had retired at the balance sheet date.

In July 2008, the ASBJ issued ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." The statement removed the treatment which provided that an entity may use the discount rate determined taking into consideration fluctuations in the yield of bonds over a certain period. The revised accounting standard is effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or after April 1, 2008. The Companies applied the revised accounting standard effective April 1, 2009. This change had no effect on profit or loss for the year ended March 31, 2010.

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

Effective June 26, 2009 at the stockholders' meeting, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors. The outstanding balance of retirement allowances for directors and corporate auditors as of June 26, 2009 was ¥258 million, and reclassified to current liabilities — other.

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

The Companies applied this accounting standard effective April 1, 2010. The effect of this change was to decrease gross profit by ¥77 million ($927 thousand), operating income by ¥147 million ($1,771 thousand) and income before income taxes and minority interests by ¥540 million ($6,506 thousand) for the year ended March 31, 2011. Asset retirement obligations initially recorded at April 1, 2010 were ¥10,825 million ($130,422 thousand), of which ¥3,391 million ($40,855 thousand) was recorded in other current liabilities at March 31, 2010 based on the estimation of future removal cost.

m. Stock Options

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

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

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

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

o. Translation of Foreign Currency Accounts

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

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

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

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

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

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

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

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

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

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

r. New Accounting Pronouncements

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

(1) Changes in Accounting Policies — When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards, include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations — When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates — A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors — When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. Business Combinations

On July 29, 2009, the Company acquired outstanding common stock of Miyuki Building Co., Ltd. ("Miyuki"), which had been an associated company with 34.5% of the voting interest owned by the Company at cost, and increased its voting interest to 52.8%. The Company consolidated the accounts of Miyuki from July 1, 2009, which was the deemed acquisition date. The excess of the fair value of the net assets of Miyuki over the acquisition cost was ¥3,686 million at July 1, 2009, which was recognized as a gain on negative goodwill in the accompanying consolidated statements of income for the year ended March 31, 2010.

After the above business combination, the Company additionally acquired outstanding stock of Miyuki and increased its voting interest to 96.6%, and recognized an additional gain on negative goodwill of ¥4,935 million in the accompanying consolidated statements of income for the year ended March 31, 2010.

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

The details of the acquisition cost were as follows:

		Millions of Yen
Consideration	Fair value of common shares of "Miyuki" at acquisition date	**¥9,706**
Direct cost	Advisory costs and other expenses	**75**
Acquisition cost		**¥9,781**

After this business combination, additional shares were acquired at ¥6,670 million.

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

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

	Millions of Yen
Current assets	**¥ 4,316**
Leased assets, investments, other assets and property and equipment	**69,398**
Total	**¥73,714**
Current liabilities	**¥ 3,372**
Long-term liabilities	**44,857**
Total	**¥48,229**

4. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current:			
Debt securities	¥ 56,748	¥ 71,350	$ 683,712
Trust fund investments and other	18,446	22,909	222,241
Total	¥ 75,194	¥ 94,259	$ 905,953
Non-current:			
Equity securities	¥ 37,287	¥ 37,332	$ 449,241
Debt securities	131,305	148,296	1,581,988
Trust fund investments and other	72,936	69,618	878,747
Total	¥241,528	¥255,246	$2,909,976

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 21,509	¥5,866	¥ 956	¥ 26,419
Debt securities	185,527	1,361	835	186,053
Trust fund investments	18,091	6	1,399	16,698

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

	Thousands of U.S. Dollars			
March 31, 2011	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 259,145	$70,674	$11,518	$ 318,301
Debt securities	2,235,265	16,397	10,060	2,241,602
Trust fund investments	217,964	72	16,855	201,181

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2011 and 2010 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Available-for-sale:			
Equity securities	¥10,868	¥ 9,995	$ 130,940
Debt securities	2,000	2,660	24,096
Trust beneficiary interests	133	212	1,602
Silent partnership interest	64,282	62,896	774,482
Senior equity interest	5,129	6,120	61,795
Limited partnership interest	5,140	4,998	61,928
Total	¥87,552	¥86,881	$1,054,843

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2010 were ¥4,236 million ($51,036 thousand) and ¥280 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥984 million ($11,855 thousand) and ¥308 million ($3,711 thousand), respectively, for the year ended March 31, 2011 and ¥102 million and ¥18 million, respectively, for the year ended March 31, 2010.

5. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Merchandise	**¥ 3,535**	¥ 4,570	**$ 42,590**
Real estate held for resale	**10,891**	6,502	**131,217**
Total	**¥14,426**	¥11,072	**$173,807**

6. Investment Property

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

The Companies own certain rental properties such as office buildings, commercial facilities and rental residential properties in major cities throughout Japan. The net of rental income and operating expenses

for those properties was ¥5,949 million ($71,675 thousand) and ¥3,987 million for the fiscal years ended March 31, 2011 and 2010, respectively.

The carrying amounts, increases in balances, and fair value of the properties at March 31, 2011 and 2010, were as follows:

Millions of Yen			
2011			
Carrying amount			Fair value
Beginning of the year	Increase	End of the year	
¥156,914	**¥26,139**	**¥183,053**	**¥186,522**

Millions of Yen			
2010			
Carrying amount			Fair value
Beginning of the year	Increase	End of the year	
¥40,889	¥116,025	¥156,914	¥161,506

Thousands of U.S. Dollars			
2011			
Carrying amount			Fair value
Beginning of the year	Increase	End of the year	
$1,890,530	**$314,928**	**$2,205,458**	**$2,247,253**

Notes:
1) Carrying amounts recognized in balance sheets are net of accumulated depreciation and accumulated impairment losses, if any.
2) Increase during the fiscal year ended March 31, 2011 was primarily attributable to ¥17,870 million ($215,301 thousand) from new acquisition of real estate, and ¥13,378 million ($161,181 thousand) of investment properties originally owned by newly consolidated subsidiaries. Increase during the fiscal year ended March 31, 2010 was primarily attributable to ¥88,662 million of investment properties originally owned by newly consolidated subsidiaries, and ¥31,451 million from new acquisition of real estate.
3) Major properties were measured at fair value using third party real estate appraisers or by the Discounted Cash Flow method ("DCF"). When changes in facts or circumstances indicate that there is no significant change in indexes for the latest appraisal, the Companies measure the fair value of these properties based on such appraisal. Other properties were recognized at fair value using the DCF rationally calculated by the Companies, amounts calculated by using market price index, or appropriate book value for certain depreciable assets or properties newly acquired in this fiscal year.

7. Lease Receivables and Investments in Lease

Lease receivables at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gross lease receivables	¥145,583	¥115,901	$1,754,012
Unearned interest income	(16,526)	(11,268)	(199,108)
Total	¥129,057	¥104,633	$1,554,904

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
2012	¥ 37,987	$ 457,675
2013	32,450	390,964
2014	23,920	288,193
2015	15,715	189,337
2016	11,295	136,084
Thereafter	24,216	291,759
Total	¥145,583	$1,754,012

Investments in leases at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gross investments in leases	¥1,298,759	¥1,410,834	$15,647,699
Residual values	59,403	73,435	715,699
Unearned interest income	(292,534)	(330,455)	(3,524,506)
Total	¥1,065,628	¥1,153,814	$12,838,892

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
2012	¥ 358,991	$ 4,325,193
2013	270,544	3,259,566
2014	198,771	2,394,831
2015	135,221	1,629,169
2016	87,880	1,058,795
Thereafter	247,352	2,980,145
Total	¥1,298,759	$15,647,699

As discussed in Note 2.d, the Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. Due to this change, interest of finance lease contracts that do not transfer ownership of the leased property to the lessee and existed on the transition date was recorded using the straight-line method. That was ¥6,922 million ($83,398 thousand) larger for the year ended March 31, 2011 and ¥4,899 million larger for the year ended March 31, 2010 than would be recorded using the interest method from the beginning of transition date.

Sublease contracts, including those that aim to disperse the credit risks, amounts of balance sheet accounts including interest as of March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Lease receivables	¥12,667	¥16,200	$152,614
Investments in lease	27,173	25,455	327,386
Lease obligations	40,539	42,240	488,422

8. Leased Assets

Leased assets as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Computers and office equipment	¥ 30,295	¥ 31,545	$ 365,000
Industrial and construction machinery	184,607	172,003	2,224,181
Other	263,985	215,160	3,180,542
Total	478,887	418,708	5,769,723
Advances for purchases of leased assets	1,644	10,611	19,808
Total leased assets	¥480,531	¥429,319	$5,789,531

The minimum future rentals on lease contracts as of March 31, 2011 and 2010 were ¥223,368 million ($2,691,181 thousand) and ¥203,159 million, respectively.

The aggregate annual maturities of the minimum future rentals on lease contracts as of March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 72,717	$ 876,108
2013	55,040	663,133
2014	34,485	415,482
2015	21,678	261,181
2016	14,274	171,976
Thereafter	25,174	303,301
Total	¥223,368	$2,691,181

9. Goodwill

Goodwill at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Goodwill in connection with acquisition	¥34,171	¥36,306	$411,699
Consolidation goodwill	9,246	10,441	111,397
Total	¥43,417	¥46,747	$523,096

10. Pledged Assets

As of March 31, 2011 the following assets were pledged as collateral for long-term debt, other current liabilities and other long-term liabilities.

	Millions of Yen	Thousands of U.S. Dollars
Receivables — loans	¥80,303	$967,506
Lease receivables and investment in lease	82,207	990,446
Leased assets	70,575	850,301
Investment securities	4,552	54,843
Investment in unconsolidated subsidiaries and associated companies	132	1,590
Investment and other assets — other	214	2,578

The liabilities secured by the foregoing assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loans from the securitization of the minimum future rentals on lease contracts	¥101,944	$1,228,241
Loans from the banks and other financial institutions	69,675	839,458
Other current liabilities	69	831
Other long-term liabilities	1,541	18,566

11. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Short-term loans from banks and other financial institutions with interest rates ranging:			
2011 — from 0.20% to 8.05%	¥ 598,453		$ 7,210,277
2010 — from 0.30% to 8.40%		¥ 678,175	
Commercial paper with interest rates ranging:			
2011 — from 0.10% to 0.25%	866,000		10,433,735
2010 — from 0.10% to 0.41%		872,400	
Total	¥1,464,453	¥1,550,575	$17,644,012

Substantially all of the Company's short-term bank loans are made under agreements, as is customary in Japan, which provide that, at the request of such banks, the Company will provide additional collateral or guarantors with respect to the loan. As of March 31, 2011, the Company has not received any such request.

Long-term debt as of March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Bonds			
Straight bonds and floating-rate bonds due 2011 with interest rates ranging from 0.26% to 1.51%		¥ 114,276	
Straight bonds and floating-rate bonds due 2012 with interest rates ranging from 0.26% to 1.74%	¥ 112,600	68,100	$ 1,356,627
Straight bonds and floating-rate bonds due 2013 with interest rates ranging from 0.49% to 1.50%	147,700	147,700	1,779,518
Straight bonds and floating-rate bonds due 2014 with interest rates ranging from 0.63% to 1.12%	50,700	50,200	610,843
Straight bonds and floating-rate bonds due 2015 with interest rates ranging from 0.53% to 0.69%	2,500	2,500	30,120
Straight bonds and floating-rate bonds due 2016 with interest rate from 0.63% to 0.85%	65,500	500	789,157
Loans from the securitization of the minimum future rentals on lease contracts with interest rates ranging:			
from 0.48% to 2.62%, due through 2016	53,885	145,027	649,217
Floating-rate, due through 2016	48,059	7,230	579,024
Lease obligations included fixed interests, due though 2024	40,583	42,260	488,952
Loans from the banks and other financial institutions, partially collateralized with interest rates ranging:			
from 0.24% to 6.80%, due through 2031	1,016,073		12,241,843
from 0.45% to 8.40%, due through 2021		1,062,818	
Total	1,537,600	1,640,611	18,525,301
Less current maturities	(381,034)	(422,131)	(4,590,771)
Long-term debt, less current maturities	¥1,156,566	¥1,218,480	$13,934,530

Annual maturities of long-term debt as of March 31, 2011 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 381,034	$ 4,590,771
2013	445,802	5,371,108
2014	300,817	3,624,301
2015	157,574	1,898,482
2016	164,218	1,978,530
Thereafter	88,155	1,062,109
Total	¥1,537,600	$18,525,301

The Company had loan commitment agreements as of March 31, 2011 and 2010 amounting to ¥300,000 million ($3,614,458 thousand) and ¥286,000 million, respectively, of which ¥300,000 million ($3,614,458 thousand) and ¥286,000 million were unused, respectively.

12. Retirement and Pension Plans

The Company and certain consolidated domestic subsidiaries have contract-type defined benefit corporate pension plans for employees or unfunded retirement benefit plans. The Company changed pension plans from non-contributory funded pension plan to defined benefit corporate pension plan, based on Defined Benefit Corporate Pension Act, at February 1, 2011, therefore adopted similar cash balance pension plan.

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

The liability for retirement benefits for directors and corporate auditors of the consolidated domestic subsidiaries at March 31, 2011 and 2010 was ¥165 million ($1,988 thousand) and ¥146 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, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Projected benefit obligation	**¥16,136**	¥16,303	**$194,410**
Fair value of plan assets	**(10,455)**	(9,537)	**(125,964)**
Unrecognized prior service cost	**(327)**	(1,907)	**(3,940)**
Unrecognized actuarial loss	**(2,699)**	(2,497)	**(32,518)**
Net liability	**2,655**	2,362	**31,988**
Prepaid pension cost	**(103)**	(134)	**(1,241)**
Accrued liability	**¥ 2,758**	¥ 2,496	**$ 33,229**

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Service cost	**¥ 973**	¥ 962	**$11,723**
Interest cost	**251**	234	**3,024**
Expected return on plan assets	**(154)**	(129)	**(1,855)**
Amortization of prior service cost	**153**	274	**1,843**
Recognized actuarial loss	**248**	168	**2,988**
Additionally paid retirement benefits	**15**	2	**181**
Net periodic benefit costs	**¥1,486**	¥1,511	**$17,904**

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate	**1.5 to 1.7%**	1.5 to 1.7%
Expected rate of return on plan assets	**1.5 to 1.7%**	1.7 to 1.7%
Amortization period of prior service cost	**13 to 15 years**	13 to 14 years
Recognition period of actuarial gain/loss	**10 to 20 years**	10 to 20 years

13. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2011 totaling ¥145,223 million ($1,749,675 thousand), the used portion is ¥11,814 million ($142,337 thousand), and the unused portion is ¥133,409 million ($1,607,337 thousand). This amount includes unused portions of the facilities of ¥97,290 million ($1,172,169 thousand), which will not necessarily be utilized in full because these facilities are subject to periodic reviews of the borrower's purpose of loan and credit standing, etc.

As of March 31, 2011, the Companies have commitments for the purchase of assets for leasing and installment sales, at a cost of approximately ¥108,294 million ($1,304,747 thousand).

The Companies are contingently liable as of March 31, 2011 as guarantor or co-guarantor for borrowings and others of ¥9,885 million ($119,096 thousand) for their unconsolidated subsidiaries and others.

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

14. Equity

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

(a) Dividends

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

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

15. Stock Based Compensation

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

The stock options outstanding as of March 31, 2011 are as follows:

	2011 stock option	2010 stock option
Persons granted	9 directors 17 executive officers	9 directors 17 executive officers
Number of options granted	65,160	68,440
Date of grant	October 15, 2010	October 15, 2009

The total stock-based compensation costs recognizaed for the years ended March 31, 2011 and 2010 were ¥163 million ($1,964 thousand) and ¥181 million, respectively. The fair value of options granted under the plan at the grant dates for 2011 stock option and 2010 stock option was ¥2,501 ($30.13) and ¥2,643 per share. The fair value of these stock options is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table.

	2011 stock option	2010 stock option
Volatility of stock price	50.83%	52.98%
Estimated remaining outstanding period	3.9 years	3.4 years
Estimated dividend	1.79%	1.65%
Risk free interest rate based	0.18%	0.38%

The volatilities of stock price are based on the historical volatility of the Company's stock for the period equal to the option's estimated remaining outstanding period from the grant date. The estimated remaining outstanding period is based on average term period and average age as of retirement. The estimated dividends are based on the actual per share dividends of ¥48 ($0.58) and ¥46 made in the preceding year for the years ended March 31, 2011 and 2010, respectively. The risk free interest rate is based on the yield of government bonds having a remaining life equal to the option's estimated remaining outstanding period.

The stock option activities for the fiscal years ended March 31, 2010 and 2011 are as follows:

	2010 stock opiton	2011 stock option
	Number of Shares	
For the year ended March 31, 2010		
Outstanding at beginning of the fiscal year		
Granted	68,440	
Canceled or expired		
Exercised		
Outstanding at end of the fiscal year	68,440	
Vested at end of the fiscal year	68,440	
For the year ended March 31, 2011		
Outstanding at beginning of the fiscal year	68,440	
Granted		65,160
Canceled or expired		
Exercised		
Outstanding at end of the fiscal year	68,440	65,160
Vested at end of the fiscal year	68,440	65,160

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16. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Provision for doubtful receivables	¥16,447	¥39,083	$198,157
Employees' salaries, bonuses and allowances	13,830	13,067	166,627
Others	32,570	31,606	392,409
Total	¥62,847	¥83,756	$757,193

17. Related Party Transactions

The transactions with associates and a principal shareholder for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Interest expense	¥3,314	¥2,942	$39,928

Amounts due from and to associates and a principal shareholder as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Short-term borrowings	¥150,300	¥169,500	$1,810,843
Long-term debt including current maturities	182,949	218,005	2,204,205

18. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2011, and 2010.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2011, and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Allowance for doubtful receivables	¥21,818	¥22,487	$262,867
Investment securities and investments in subsidiaries and associated companies	5,521	3,337	66,518
Advances received — lease	3,311	3,399	39,892
Other	14,036	12,873	169,108
Total	44,686	42,096	538,385
Less valuation allowance	(10,249)	(9,843)	(123,481)
Less deferred tax liabilities	(9,919)	(9,060)	(119,506)
Net deferred tax assets	¥24,518	¥23,193	$295,398

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax liabilities:			
Difference in assets and liabilities of newly consolidated subsidiary between fair value and tax basis	¥ 7,342	¥ 7,366	$ 88,458
Difference in assets and liabilities between purchase method and tax basis	3,778	4,525	45,518
Deferred revenues from certain finance lease transactions	3,764	2,077	45,349
Other	3,125	3,445	37,651
Total	18,009	17,413	216,976
Less deferred tax assets	(9,919)	(9,060)	(119,506)
Net deferred tax liabilities	¥ 8,090	¥ 8,353	$ 97,470

The differences between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 are not significant.

19. Leases

The Companies lease certain equipment and other assets under finance leases. Total rental expenses under such leases for the years ended March 31, 2011 and 2010 were ¥3 million ($36 thousand) and ¥15 million, respectively.

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

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and other information for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		
March 31, 2011	Property and equipment	Other (Software)	Total
Acquisition cost	¥18		¥18
Accumulated depreciation	(16)		(16)
Net leased property	¥ 2		¥ 2

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

	Thousands of U.S. Dollars		
March 31, 2011	Property and equipment	Other (Software)	Total
Acquisition cost	$217		$217
Accumulated depreciation	(193)		(193)
Net leased property	$ 24		$ 24

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method, for the years ended March 31, 2011 and 2010 was ¥3 million ($36 thousand) and ¥15 million, respectively.

The future minimum payments for such non-cancelable financing leases, including the imputed interest, and operating leases as lessee at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Obligations under finance leases			
Due within one year	¥ 2	¥ 5	$ 24
Due after one year		2	
Total	¥ 2	¥ 7	$ 24
Obligations under operating leases			
Due within one year	¥1,935	¥1,290	$ 23,313
Due after one year	1,795	1,494	21,627
Total	¥3,730	¥2,784	$ 44,940

20. Financial Instruments and Related Disclosures

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

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

The major operating receivables of the Companies are lease receivables and installment receivables. These assets are with fixed interest rates. Some loan receivables also are at fixed interest rates.

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

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

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

Please see Note 21 for more detail about derivatives.

(3) Risk management for financial instruments

(a) Credit risk management

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

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

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

(i) Interest rate fluctuation risk management

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

(ii) Foreign exchange risk management

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

(iii) Price fluctuation risk management

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

(iv) Derivative transactions

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

(v) Quantitative information of market risk

The Companies have financial instruments exposed to market risk, which are composed chiefly of installment sales receivables, lease receivables and investments in lease, loans, marketable and investment securities, short-term borrowings and long-term debt. To measure market risks, the Companies use the VaR method which estimates changes in the market value of portfolios within a certain period by statistically analyzing past market date. In calculating the VaR, the Companies adopt a historical simulation model (holding period, one year; confidence interval, 99 % ; and observation period, five years). The aggregate VaR at March 31, 2011 was ¥24,705 million ($297,651 thousand). The Companies measure and manage market risks including the risks of the future rentals on and residual values of operating lease transactions, since they are also exposed to market risks same as lease receivables and investments in lease (which are related to finance lease transactions).

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

(c) Liquidity risk management on financing

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

(4) Supplementary information on fair value of financial instruments

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

Fair value of financial instruments other than derivatives at March 31, 2011 was as follows:
Please see Note 21 for fair value information for derivatives.

March 31, 2011	Carrying amount (Millions of Yen)	Fair value (Millions of Yen)	Unrealized gain/loss (Millions of Yen)
Cash and cash equivalents	¥ 40,409	¥ 40,409	
Time deposits other than cash equivalents	992	992	
Receivables			
Installment sales	280,523		
Deferred profit on installment sales	(38,375)		
Allowance for doubtful receivables	(4,449)		
	237,699	260,680	¥ 22,981
Loans	1,174,661		
Allowance for doubtful receivables	(16,424)		
	1,158,237	1,191,470	33,233
Lease receivables and investments in lease	1,194,685		
Residual values of investments in lease	(59,403)		
Allowance for doubtful receivables	(8,422)		
	1,126,860	1,210,996	84,136
Marketable and investment securities	229,170	229,170	
Investment in unconsolidated subsidiaries and associated companies	1,263	1,263	
Long-term receivables	40,922		
Allowance for doubtful receivables	(9,201)		
	31,721	31,721	
Total	¥2,826,351	¥2,966,701	¥140,350
Short-term loans from banks and other financial institutions	¥ 598,453	¥ 598,453	
Commercial paper	866,000	866,000	
Payables — trade	83,003	83,003	
Bonds	379,000	380,751	¥ 1,751
Loans from the securitizations of the minimum future rentals on lease contracts	101,944	102,618	674
Long-term loans from banks and other financial institutions	1,016,073	1,021,052	4,979
Total	¥3,044,473	¥3,051,877	¥ 7,404

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

March 31, 2011	Thousands of U.S. Dollars Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 486,855	$ 486,855	
Time deposits other than cash equivalents	11,951	11,952	
Receivables			
Installment sales	3,379,795		
Deferred profit on installment sales	(462,349)		
Allowance for doubtful receivables	(53,602)		
	2,863,844	3,140,723	$ 276,880
Loans	14,152,542		
Allowance for doubtful receivables	(197,879)		
	13,954,663	14,355,060	400,397
Lease receivables and investments in lease	14,393,795		
Residual values of investments in lease	(715,699)		
Allowance for doubtful receivables	(101,469)		
	13,576,627	14,590,313	1,013,686
Marketable and investment securities	2,761,084	2,761,084	
Investment in unconsolidated subsidiaries and associated companies	15,217	15,218	
Long-term receivables	493,036		
Allowance for doubtful receivables	(110,855)		
	382,181	382,181	
Total	$34,052,422	$35,743,386	$1,690,963
Short-term loans from banks and other financial institutions	$ 7,210,277	$ 7,210,277	
Commercial paper	10,433,735	10,433,735	
Payables — trade	1,000,036	1,000,036	
Bonds	4,566,265	4,587,361	$ 21,096
Loans from the securitizations of the minimum future rentals on lease contracts	1,228,241	1,236,361	8,120
Long-term loans from banks and other financial institutions	12,241,843	12,301,831	59,988
Total	$36,680,397	$36,769,601	$ 89,204

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

Cash and cash equivalents

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

Receivables — Installment sales

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

Receivables — Loans

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

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

Lease receivables and investments in lease

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

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

Marketable and investment securities

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

Long-term receivables

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

Short-term borrowings from banks and other financial institutions

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

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

Commercial paper

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

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

Payables — trade

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

Bonds

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

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

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

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

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

Long-term loans from banks and other financial institutions

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

(*) As to the long-term debt involved in the interest rate swap contracts that qualify for hedge accounting and meet specific matching criteria, the total amount of its principal and interest at the post-swap rate is applied.

As to the long-term debt involved in the cross-currency interest rate swap contracts that qualify for hedge accounting and meet specific matching criteria, the total amount of its principal and interest is considered as borrowings of yen currency at a fixed rate (see Note 21).

Derivatives

The information regarding the fair value for derivatives is included in Note 21.

Financial instruments of which fair value is not readily determinable

Non-marketable securities at March 31, 2011 and 2010 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Subsidiaries and related parties shares (*)	¥ 15,546	¥ 19,369	$ 187,301
Unlisted shares (*)	10,868	9,994	130,940
Unlisted domestic bonds	2,000	2,660	24,096
Trust beneficiary interests	133	212	1,602
Silent partnership interest	70,691	68,338	851,699
Senior equity interest	5,129	6,120	61,795
Limited partnership interest	5,140	4,998	61,928
Total	¥109,507	¥111,691	$1,319,361

(*) Losses on impairment were recognized for the year ended March 31, 2011; ¥8 million ($96 thousand) on impairment of subsidiaries and related parties shares, ¥47 million ($566 thousand) on that of unlisted shares, ¥660 million ($7,952 thousand) on unlisted bonds, ¥907 million ($10,928 thousand) on trust beneficiary right, ¥736 million ($8,867 thousand) on investment in silent partnership interest and ¥206 million ($2,482 thousand) on limited partnership interest.

Losses on impairment were recognized for the year ended March 31, 2010; ¥21 million on impairment of subsidiaries and related parties shares, and ¥8 million on that of unlisted shares.

Maturity analysis for receivables and securities with contractual maturities at March 31, 2011 was as follows:

	Millions of Yen					
March 31, 2011	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	¥ 40,409					
Time deposits other than cash equivalents	992					
Receivables						
Installment sales (1)	89,235	¥ 59,778	¥ 40,387	¥ 28,287	¥ 18,327	¥ 44,509
Loans	402,932	220,583	196,205	122,540	63,830	168,571
Lease receivables and investments in lease (2)	396,978	302,994	222,691	150,936	99,175	271,568
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	56,748	58,436	30,849	9,779	27,545	3,011
Other	18,445	9,769	17,626	10,098	5,255	24,833
Total	¥1,005,739	¥651,560	¥507,758	¥321,640	¥214,132	¥512,492

	Thousands of U.S. Dollars					
March 31, 2011	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	$ 486,855					
Time deposits other than cash equivalents	11,952					
Receivables						
Installment sales (1)	1,075,120	$ 720,217	$ 486,590	$ 340,807	$ 220,807	$ 536,254
Loans	4,854,602	2,657,626	2,363,916	1,476,386	769,036	2,030,976
Lease receivables and investments in lease (2)	4,782,868	3,650,530	2,683,024	1,818,506	1,194,880	3,271,903
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	683,711	704,048	371,675	117,819	331,868	36,277
Other	222,229	117,699	212,361	121,663	63,313	299,192
Total	$12,117,337	$7,850,120	$6,117,566	$3,875,181	$2,579,904	$6,174,602

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

21. Derivatives

The Companies enter into foreign exchange forward contracts and cross-currency interest rate swap contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts, cap contracts and currency-interest rate swaps 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 our businesses. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Companies do not hold or issue derivatives for trading purposes. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

As noted in Note 20, the Companies applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures," effective March 31, 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2011 and 2010 were as follows:

	Millions of Yen						
	2011				2010		
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss	Contract amount	Fair value	Unrealized gain/loss
Foreign exchange forward contracts:							
Buying U.S. dollars	¥ 293		¥ 4	¥ 4			
Cross-currency interest rate swap contracts:							
U.S. dollar payment, Yen receipt					¥ 1,482	¥ 58	¥ 58
Thai baht payment, Yen receipt					300	44	44
Interest rate swap contracts:							
Fixed rate payment, floating rate receipt	3,561	¥2,725	(145)	(145)	4,628	(180)	(180)
Floating rate payment, floating rate receipt	8,000	8,000	126	126	13,000	141	141
Interest rate cap:							
Buying					1,932	2	(21)

	Thousands of U.S. Dollars			
	2011			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts:				
Buying U.S. dollars	$ 3,530		$ 48	$ 48
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	42,904	$32,831	(1,747)	(1,747)
Floating rate payment, floating rate receipt	96,386	96,386	1,518	1,518

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010 were as follows:

		Millions of Yen		
		2011		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts:				
Buying U.S. dollars	Long-term debt	¥ 4,494		¥ (877)
Selling U.S. dollars	Short-term borrowings and lease receivables	1,226		24
Selling Singapore dollars	Short-term borrowings	12		
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollar receipt	Long-term debt	35,000	¥ 35,000	
Thai baht payment, yen receipt	Long-term debt	244		
Thai baht payment, U.S. dollar receipt	Long-term debt	914	914	
Foreign exchange forward contracts:				
Buying U.S. dollars	Lease receivables	488		
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	Short-term borrowings, long-term debt, bonds, receivables — loan	333,672	248,224	(2,046)
Interest rate swap contracts:				
Floating rate payment, fixed rate receipt	Bonds	2,000	2,000	
Fixed rate payment, floating rate receipt	Long-term debt	55,843	47,370	
Interest cap contracts:				
Buying	Short-term borrowings	1,620		

		Millions of Yen		
		2010		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts:				
Buying	Long-term debt	¥ 4,494	¥ 4,494	¥ (413)
Selling	Short-term borrowings	67		(3)
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollar receipt	Long-term debt	35,000	35,000	
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	Short-term borrowings, long-term debt, receivables — loan	451,851	256,025	(2,758)
Interest rate swap contracts:				
Floating rate payment, fixed rate receipt	Long-term debt	4,000	2,000	
Fixed rate payment, floating rate receipt	Long-term debt, receivables — loan	65,740	45,470	

	Hedged item	Thousands of U.S. Dollars 2011 Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts:				
Buying U.S. dollars	Long-term debt	$ 54,145		$(10,566)
Selling U.S. dollars	Short-term borrowings and lease receivables	14,771		289
Selling Singapore dollars	Short-term borrowings	145		
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollar receipt	Long-term debt	421,687	$ 421,687	
Thai baht payment, Yen receipt	Long-term debt	2,940		
Thai baht payment, U.S. dollar receipt	Long-term debt	11,012	11,012	
Foreign exchange forward contracts:				
Buying U.S. dollars	Lease receivable	5,880		
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	Short-term borrowings, Long-term debt, bonds, receivables — loan	4,020,145	2,990,651	(24,651)
Interest rate swap contracts:				
Floating rate payment, fixed rate receipt	Bonds	24,096	24,096	
Fixed rate payment, floating rate receipt	Long-term debt	672,807	570,723	
Interest cap contracts:				
Buying	Short-term borrowings	19,518		

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

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

The cross-currency interest rate swap contracts, the interest rate swap contracts and foreign currency exchange contracts which qualify for hedge accounting and meet specific matching criteria are assigned to the associated long-term debts, short-term borrowings and so on from banks and other financial institutions and recorded in the consolidated balance sheets at March 31, 2011 and 2010, and included in the fair value of hedged items.

22. Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 consists of the following:

Year Ending March 31, 2010	Millions of Yen
Other comprehensive income:	
Net unrealized gain on available-for-sale securities	**¥5,022**
Deferred loss on derivatives under hedge accounting	**(964)**
Foreign currency translation adjustments	**2,198**
Share of other comprehensive income in associates	**62**
Total other comprehensive income	**¥6,318**

Total comprehensive income for the year ended March 31, 2010 comprises the following:

Year Ending March 31, 2010	Millions of Yen
Total comprehensive income attributable to:	
Owners of the parent	**¥26,979**
Minority interests	**1,601**
Total comprehensive income	**¥28,580**

23. Segment Information

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

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

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

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

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

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

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

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

	Millions of Yen				
	Reportable segment				
Year Ended March 31, 2011	Customer finance	Asset finance	Total	Adjustments	Consolidated
Revenues:					
Revenue from external customers	¥ 590,080	¥ 134,683	¥ 724,763		¥ 724,763
Intersegment revenue or transfers	55	119	174	¥ (174)	
Total	590,135	134,802	724,937	(174)	724,763
Segment profit	¥ 40,932	¥ 22,063	¥ 62,995	¥ (7,112)	¥ 55,883
Segment assets	¥2,370,499	¥1,234,629	¥3,605,128	¥116,009	¥3,721,137
Other items:					
Depreciation	¥ 11,113	¥ 65,439	¥ 76,552	¥ 380	¥ 76,932
Amortization of goodwill	2,993		2,993		2,993
Investments in equity method affiliates	7,974	4,958	12,932		12,932
Increase in property and equipment and intangible assets	334	117,371	117,705	4,761	122,466

	Millions of Yen				
	Reportable segment				
Year Ended March 31, 2010	Customer finance	Asset finance	Total	Adjustments	Consolidated
Revenues:					
Revenue from external customers	¥ 621,798	¥ 125,245	¥ 747,043		¥ 747,043
Intersegment revenue or transfers	85	55	140	¥ (140)	
Total	621,883	125,300	747,183	(140)	747,043
Segment profit	¥ 18,433	¥ 14,045	¥ 32,478	¥ (6,665)	¥ 25,813
Segment assets	¥2,541,505	¥1,219,931	¥3,761,436	¥123,725	¥3,885,161
Other items:					
Depreciation	¥ 9,779	¥ 55,831	¥ 65,610	¥ 262	¥ 65,872
Amortization of goodwill	2,993		2,993		2,993
Investments in equity method affiliates	12,178	3,822	16,000		16,000
Increase in property and equipment and intangible assets	1,373	169,762	171,135	6,055	177,190

	Thousands of U.S. Dollars				
	Reportable segment				
Year Ended March 31, 2011	Customer finance	Asset finance	Total	Adjustments	Consolidated
Revenues:					
Revenue from external customers	$ 7,109,398	$ 1,622,686	$ 8,732,084		$ 8,732,084
Intersegment revenue or transfers	662	1,434	2,096	$ (2,096)	
Total	7,110,060	1,624,120	8,734,180	(2,096)	8,732,084
Segment profit	$ 493,157	$ 265,819	$ 758,976	$ (85,687)	$ 673,289
Segment assets	$28,560,229	$14,875,048	$43,435,277	$1,397,699	$44,832,976
Other items:					
Depreciation	$ 133,892	$ 788,422	$ 922,314	$ 4,578	$ 926,892
Amortization of goodwill	36,060		36,060		36,060
Investments in equity method affiliates	96,072	59,735	155,807		155,807
Increase in property and equipment and intangible assets	4,024	1,414,109	1,418,133	57,361	1,475,494

Notes:

1) "Adjustments" in segment profit contains mainly company-wide expenses relating to back office of the Company (General administration, HR, Finance and accounting) included in Selling, general and administrative expenses, which do not attribute to each reportable segment.

"Adjustments" in segment assets contains mainly operating funds, long-term investment fund and company-wide assets relating to back office of the Company, which do not attribute to each reportable segment.

"Adjustments" in depreciation contains depreciation relating to back office of the Company.

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

2) "Adjustments" for segment profit were adjusted to reach operating income in the consolidated statement of income.

4. Information about products and services

	Millions of Yen				
	2011				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥560,611	¥99,414	¥36,802	¥27,936	¥724,763

	Thousands of U.S. Dollars				
	2011				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	$6,754,349	$1,197,759	$443,398	$336,578	$8,732,084

5. Information about geographical areas

Revenues and total property and equipment in Japan for the year ended March 31, 2011 represented more than 90% of consolidated revenues and total property and equipment. Accordingly, information about geographical areas is not required to be disclosed.

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

	Millions of Yen				
	2011				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	¥ 2,993		¥ 2,993		¥ 2,993
Unamortized balance of goodwill	43,417		43,417		43,417

	Thousands of U.S. Dollars				
	2011				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	$ 36,060		$ 36,060		$ 36,060
Unamortized balance of goodwill	523,096		523,096		523,096

7. Information about negative goodwill by reportable segment

Information about negative goodwill by reportable segment is omitted because the amount is not material.

8. For the year ended March 31, 2010

Information about industry segments, geographical segments and sales to foreign customers of the Group for the year ended March 31, 2010, which is based on the previous standard, was as follows:

Industry segments

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

As discussed in Note 2.f, the Companies applied the ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures," effective March 31, 2010. The effect of this change as of March 31, 2010 was to increase the assets of the other segment by ¥1,204 million and those of eliminations or corporate by ¥162 million, and was immaterial to the operating income of each segment.

Revenues and total assets of the Company and its domestic subsidiaries for the year ended March 31, 2010 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 year ended March 31, 2010 represented less than 10% of consolidated revenues of each respective year. Accordingly, revenues from foreign customers are not required to be disclosed.

24. Net Income per Share

The reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2011 was as follows:

	Millions of Yen	Thousand of Shares	Yen	U.S.Dollars
For the year ended March 31, 2011	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders ...	**¥25,756**	**89,557**	**¥287.59**	**$3.00**
Effect of dilutive securities warrants		**98**		
Diluted EPS				
Net income for computation	**¥25,756**	**89,655**	**¥287.28**	**$3.00**

25. Subsequent Event

On May 16, 2011, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Cash dividends of ¥25 ($0.30) per share	**¥2,238**	**$26,964**

Deloitte.

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

We have audited the accompanying consolidated balance sheets of Mitsubishi UFJ Lease & Finance Company Limited (the “Company”) and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

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

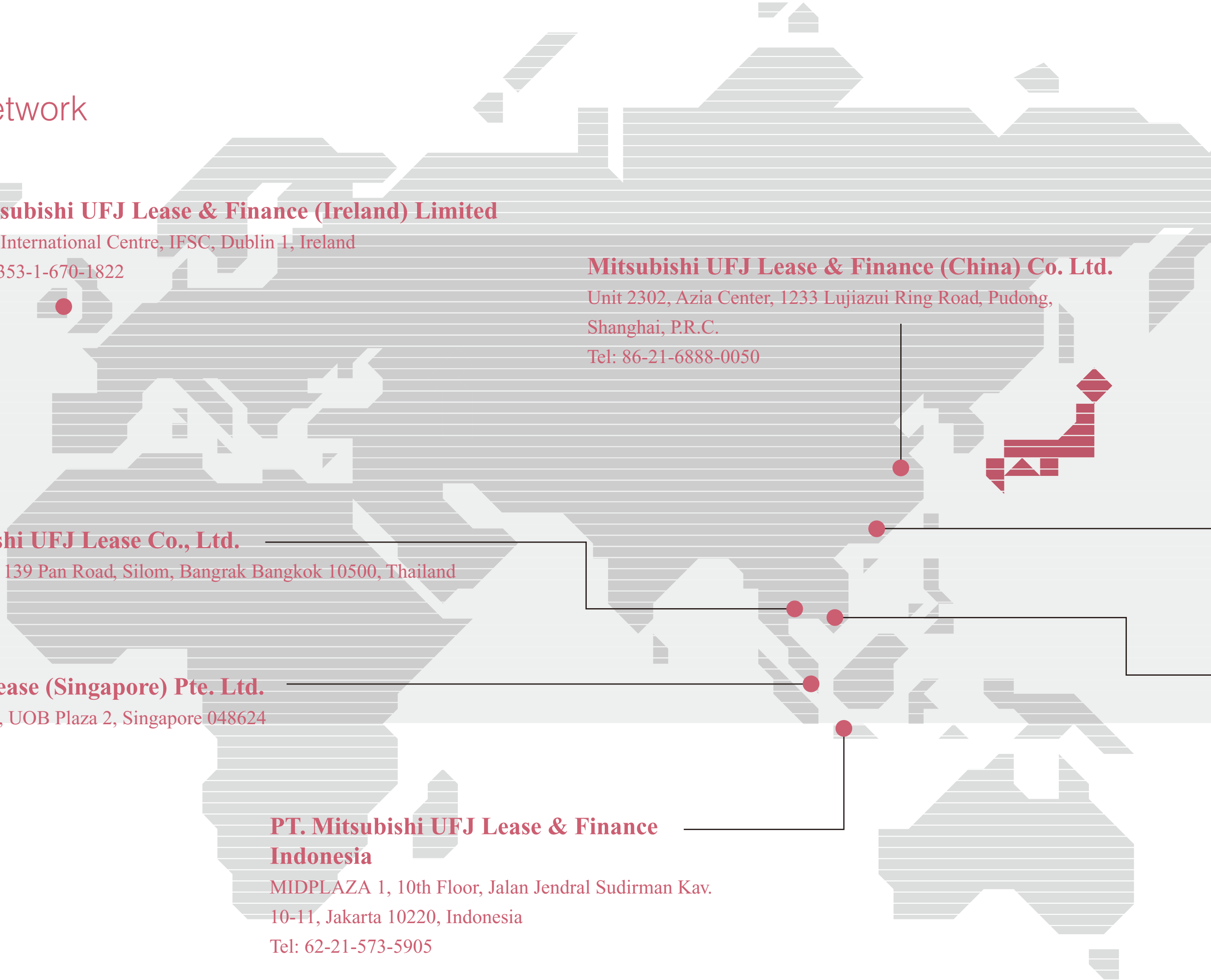
Deloitte Touche Tohmatsu LLC

June 29, 2011

Member of
Deloitte Touche Tohmatsu Limited

Group Network (as of June 29, 2011)

Overseas Network



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- Tohoku Branch
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- Chiba Branch
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- Gotanda Branch
- Ikebukuro Branch
- Tachikawa Branch
- Yokohama Branch
- Kariya Business Department
- Hokuriku Branch
- Gifu Branch
- Hamamatsu Branch
- Shizuoka Business Office
- Numazu Branch
- Yokkaichi Branch
- Osaka Office
- Kyoto Branch
- Kobe Branch
- Okayama Branch
- Shikoku Branch
- Hiroshima Branch
- Kyusyu Branch
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Domestic Subsidiaries and Affiliates

Lease and financing business

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

Auto lease and Auto financing business

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

Rental business

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

Real estate-related business

- Central Compass Co., Ltd.
- Diamond Asset Finance Company Limited
- Diamond Asset Service Company Limited
- Miyuki Building Co., Ltd.

Insurance business

- MUL Insurance Company Limited

Used equipment trading business

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

Others

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

Corporate History

History of Diamond Lease

April 1971	Established by Mitsubishi Group companies
March 1985	Listed on the Second Section of the Tokyo Stock Exchange
September 1988	Listed on the First Section of the Tokyo Stock Exchange
December 1998	Acquired Minami-Kyusyu Diamond Lease Company Limited
October 1999	Merged with Ryoshin Leasing Corporation
August 2000	Acquired major share of The Casio Lease Company Limited
January 2001	Acquired ISO 14001 certification
March 2002	Acquired major share of Hirogin Lease Co. Ltd.
March 2003	Invested in Mitsubishi Electric Credit Corporation (45%)
January 2004	Acquired major share of The Daiwa Factor and Leasing Co., Ltd. (renamed DFL Lease Company Limited)
August 2006	Acquired major share of Kyocera Leasing Company Limited (renamed Diamond Asset Finance Company Limited)
February 2007	Acquired major share of MMC Diamond Finance Corporation
March 2007	Established Mitsubishi Auto Leasing Holdings Corporation with Mitsubishi Corporation, as a holding company for Diamond Auto Lease Co., Ltd. and Mitsubishi Auto Leasing Corporation

History of UFJ Central Leasing

May 1969	Established as Central Leasing Co., Ltd., the first leasing operator in Japan's Chubu region
November 1989	Listed on the Second Section of the Nagoya Stock Exchange
March 2000	Acquired major share of Shinko Lease Co., Ltd.
March 2001	Invested in Techno Rent Co., Ltd. (30%) Acquired major share of Japan Medical Lease Corporation
November 2002	Acquired ISO 14001 certification
March 2003	Acquired major share of Chukyo General Lease Co., Ltd. Invested in Just Automobile Leasing Co., Ltd. (20%)
February 2004	Acquired major share of Asahigin Leasing Co., Ltd. (renamed Shutoken Leasing Co., Ltd.)
April 2004	Integrated the leasing division of UFJ Business Finance Co., Ltd. (renamed Mitsubishi UFJ Factors Limited) and changed corporate name to UFJ Central Leasing Co., Ltd.
April 2004	Listed on the First Section of the Tokyo and Nagoya Stock Exchanges

MUFG Mitsubishi UFJ Lease & Finance

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

Corporate Data (as of March 31, 2011)

Company Name	Mitsubishi UFJ Lease & Finance Company Limited
URL	http://www.lf.mufg.jp/english/
Head Office	Shin-Marunouchi Building, 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6525, Japan Tel: +81-3-6865-3000
Date of Establishment	April 12, 1971
Paid-in Capital	¥33,196,047,500
Stock Information	Number of Authorized Shares: 320,000,000 Number of Issued Shares: 89,583,416 Number of Shareholders: 6,408 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: 2,245, Parent: 1,210
Fiscal Year	April 1 to March 31
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Auditor	Deloitte Touche Tohmatsu Limited

Principal Shareholders

Shareholder Name	Number of Shares Held (thousands)	Ownership (%)
Mitsubishi Corporation	17,918	20.00
Mitsubishi UFJ Financial Group, Inc.	8,267	9.22
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,448	6.08
Japan Trustee Services Bank, Ltd. (trust account)	5,167	5.76
Meiji Yasuda Life Insurance Company	3,089	3.44

Mitsubishi UFJ Lease & Finance Company Limited

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