Mitsubishi UFJ Lease & Finance

MUFG

Value Integrator

The Difference

2012 Annual Report

That's What You'll Find in Us

For the fiscal year ended March 31, 2012

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.

About Us

Value Integrator

Since its establishment, Mitsubishi UFJ Lease & Finance has worked to offer optimal solutions to the issues that customers face, while seeking to expand its range of functions and business sectors, which encompass everything from leasing and rental to eco-related and real estate-related services, factoring, private finance initiatives, and support for overseas business expansion. Our corporate signature phrase—Value Integrator—expresses our strong commitment to creating new Value from a range of tangible and intangible assets by Integrating them through leasing and financing activities.

In today's world of business finance, the convergence of finance with commercial distribution is progressing. Committed to a policy of doing "everything for the customer," our mission as one of Japan's leading comprehensive finance companies is to take the lead in an age of change and open up new potential in the leasing business. By further refining the functions we offer to meet diverse customer needs, we will work to achieve sustainable growth and maximize corporate value.

At a Glance

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

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

Mitsubishi UFJ Lease & Finance

MUFG

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

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

Overseas network

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

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.

Key Figures

Balance of Operating Assets

¥3,336 billion

New Transactions Volume

¥1,276 billion

Gross Profit

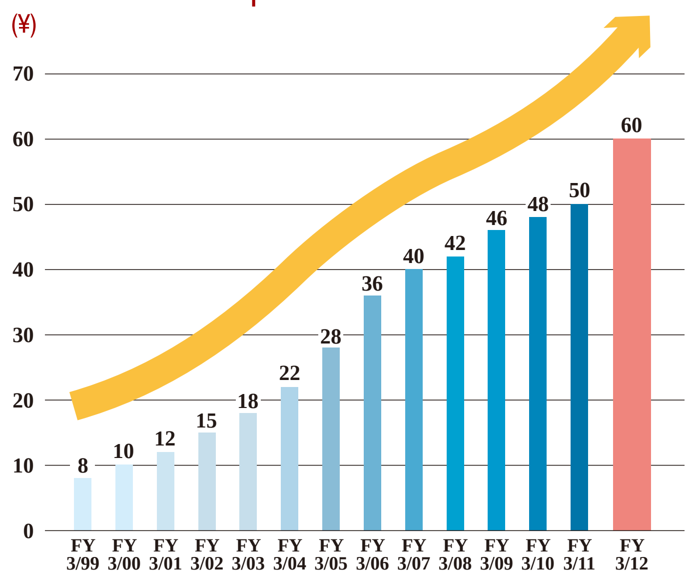
¥115 billion

External Ratings

(as of July 31, 2012)

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

Cash Dividends per Share

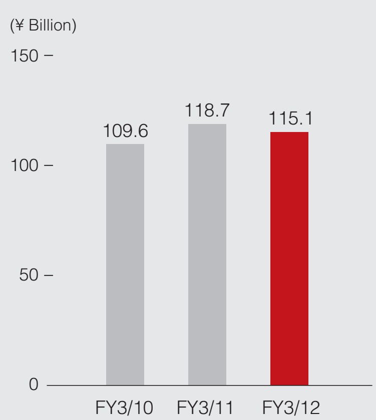


Financial Highlights Years Ended March 31, 2012, 2011 and 2010

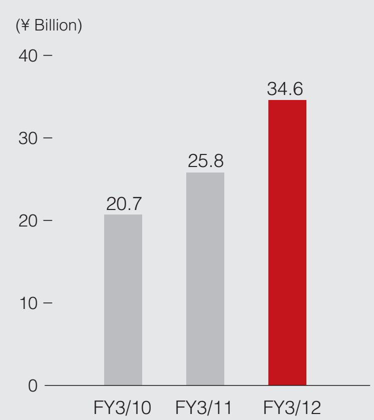
Mitsubishi UFJ Lease & Finance Company Limited
and its consolidated subsidiaries

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2012	2011	2010	**2012**
For the year:				
Total revenues	**¥ 724,611**	¥ 724,763	¥ 747,043	**$ 8,836,719**
Gross profit	**115,078**	118,730	109,569	**1,403,389**
Net income	**34,641**	25,756	20,727	**422,451**
At year-end:				
Total assets	**¥ 3,682,299**	¥ 3,721,137	¥ 3,885,161	**$ 44,906,085**
Total equity	**420,864**	389,803	366,892	**5,132,487**
Number of shares of common stock outstanding (excluding treasury stock, thousands)	**88,856**	89,556	89,556	
	Yen			U.S. Dollars
Per share of common stock:				
Basic net income	**¥ 387.17**	¥ 287.59	¥ 231.44	**$ 4.72**
Cash dividends applicable to the year	**60.00**	50.00	48.00	**0.73**
	%			
Ratios:				
Return on equity (ROE)	**8.9**	7.1	6.1	
Return on assets (ROA)	**0.9**	0.7	0.5	
Equity ratio	**10.9**	10.0	9.1	

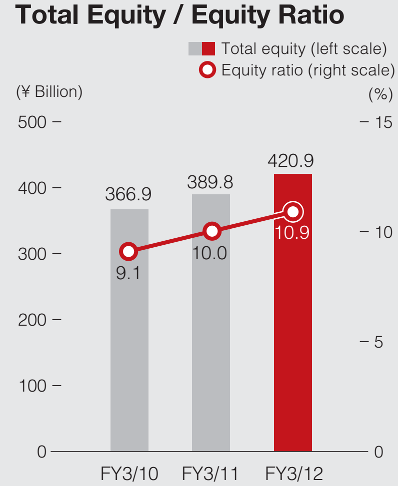
Gross Profit



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 ¥82=U.S.$1, the approximate exchange rate on March 31, 2012.

Message from the CEO

Tadashi Shiraishi
President & CEO

Opening Up New Possibilities in Business Finance

In the fiscal year ended March 31, 2012, industrial production, which had slumped in the wake of the Great East Japan Earthquake of March 2011, began a gradual return to normal on the back of a recovery in the supply chain. This contributed to a gentle pickup in the Japanese economy.

In the last few years, trends in corporate capital expenditure have undergone a major change. The value of domestic capital expenditure during the fiscal year ended March 31, 2012 increased for the first time in four years in both manufacturing and non-manufacturing industry. The factors driving this expenditure have grown more diverse; in addition to repair and maintenance of facilities, expenditure has risen for concentration and rationalization of facilities and for eco-related projects. Especially in the areas affected by the earthquake disaster, there was also an upsurge of expenditure on restoration and rehabilitation activities.

In response to the increasing globalization of the economy, overseas capital expenditure has also been on a growing trend in recent years. Specifically in manufacturing industry, expenditure has grown on enhanced production capacity to meet expanding demand in the emerging economies, especially of Asia.

Against this background, the Mitsubishi UFJ Lease & Finance Group worked to adapt swiftly and flexibly to the changing business environment by steadily implementing the various strategies and measures outlined in its Medium-Term Management Plan, ***Vision 2013***. One of the growth strategies is the development of overseas business, where we pushed ahead with measures to lay foundations for the future in three areas: organizational enhancement, human resource development, and service expansion. Going forward, we intend to actively roll out to overseas markets the diverse products and services we deliver in Japan.

In terms of profitability, net income grew by ¥8.9 billion or 34.5% year on year to ¥34.6 billion, setting a new record. As for dividends, in recognition of the support we received from our shareholders, we set the year-end dividend at ¥34 per share and the interim dividend at ¥26 per share to give a total annual dividend of ¥60 per share, an increase of ¥10 over the previous fiscal year.

Interview with the CEO

1 Our Medium-Term Management Plan, ***Vision 2013***: Direction and State of Progress

Under the Medium-Term Management Plan, ***Vision 2013***, which came into effect from April 1, 2011, we put into practice various strategies and measures to allow flexible and agile adaptation to the rapidly changing external environment and drive forward our development as a comprehensive finance company.

Growth Strategy

1. Offering unique Mitsubishi UFJ Lease & Finance services to expand the value chain
    - Core business (Lease)
    - Energy saving, eco-related business
    - International business
    - Global asset
    - Used equipment trade, appraisal
    - Asset management
    - Medical / nursing care
2. Accelerating global business expansion
3. Strengthening contact with customers
4. Promoting external growth strategy

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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 enhancing credibility

Growth Strategy

As a strategy to drive sustainable growth, we worked to achieve service expansion of a kind unique to our business Group by expanding the functions provided in the value chain and by taking a diverse range of asset and business risks.

In the leasing sector, for instance, which we regard as our core business, we developed services tailored to the needs of individual customers while maintaining a close eye on commercial distribution and product value.

We have responded to the growing demand for energy-saving solutions by energetically promoting our eco-related businesses. The energy service company (ESCO) project that we undertook for Nagoya University Hospital won an award called "Energy Conservation Grand Prix" in the form of the Prize of the Chairman of the Energy Conservation Center, Japan. This is an example of the strong reputation our eco-related businesses have earned in the environmental field. Our initiatives also extend overseas, where we devoted particular energies to promoting eco-related businesses in other Asian countries.

For businesses needing to introduce the facilities flexibly, we used our global network to offer a service that trades used equipment. We also enhanced the assistance we offer for transnational transfer of business facilities and bases as part of our comprehensive support for corporate capital expenditure.

e-Leasing Direct is a unique asset management service we provide to businesses looking for a suitable solution to their asset management needs. By further strengthening this service, we achieved improved efficiency in the increasingly complex field of asset management operations. Recently we have developed an English-language version of ***e-Leasing Direct***, which allows users to unify asset management globally.

Anticipating the move toward increasing globalization and borderlessness in economic activity, we took positive steps to place our business development on a global footing. As part of our business rollout in China, which is experiencing marked economic growth, we needed to secure a stable source of the local currency, the renminbi, to provide customers with services they can use with confidence. We therefore issued corporate bonds in the offshore market of Hong Kong.

In Indonesia, a country with a wealth of natural resources and the world's fourth largest population, we actively rolled out construction machinery financing and other services.

In the highly universalized field of global assets with worldwide standard specifications, we accelerated initiatives while strengthening our systems, for instance by establishing a business site in Dublin, Ireland, for aircraft leasing.

Strategy to Strengthen Our Management Base

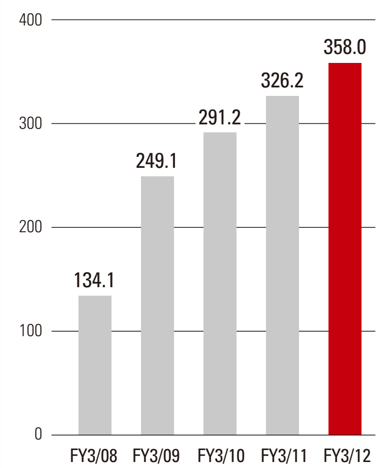
As a strategy to strengthen our management base, we continued to develop increasingly sophisticated risk management operations. Learning lessons from the unprecedented devastation of the Great East Japan Earthquake of March 2011, we reviewed our business continuity capabilities and took the necessary action to reinforce our systems.

To strengthen and promote our business and operations, we undertook a bold redistribution of human resources. In addition, we established a Diversity Promotion Office to implement a program of proactive recruitment and development of global human resources.

Nagoya University Hospital

Our company represented Japanese companies at the First East Asia Summit Energy Efficiency Conference.

e-Leasing Direct Outstanding
(¥ Billion)



In our response to the earthquake, as well as by making monetary donations, we used the combined strength of the Group to provide relief through our business operations. For example, we set up a rental service for electric vehicles to provide a means of transportation in the affected areas, and we also provided automatic electricity generators to customers affected by electricity shortages in the wake of the nuclear power station accident.

2 Results for the Fiscal Year Ended March 31, 2012

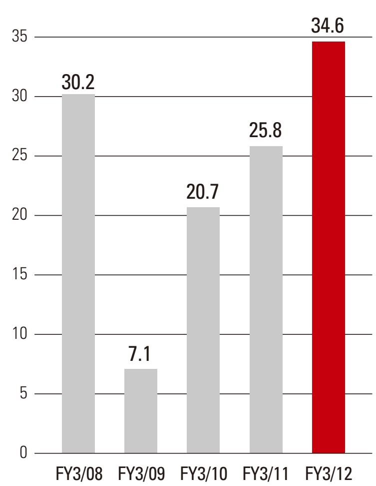
Industrial production, which slumped in the aftermath of the Great East Japan Earthquake, is gradually returning to normal in parallel with the recovery of the supply chain. In response to these conditions, rather than trying to differentiate ourselves on the basis of price, we sought to expand our business base by delivering value-added products and services that would provide a competitive edge. As a result, the volume of new transactions reached ¥1,276.4 billion, a 9.1% year-on-year increase and the first growth in four years.

Consolidated revenues, at ¥724.6 billion, remained close to the level of the previous fiscal year, but profit figures showed a decline, with gross profit at ¥115.1 billion, and operating income at ¥53.2 billion. However, of the allowance for doubtful receivables that was included in the accounts of the previous fiscal year in connection with the earthquake disaster, a ¥5.8 billion portion that remained unused was recorded as an extraordinary profit. This and other factors contributed to a 34.5% year-on-year increase in net income, which grew to an all-time record of ¥34.6 billion.

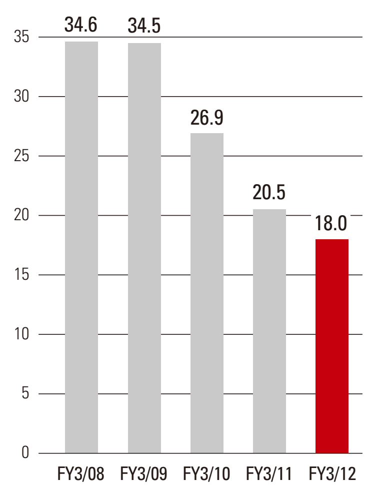
Regarding financial expenses, by seeking to secure a stable supply of funds at low interest rates, we succeeded in reducing financial expenses by 12.3% year on year.

Meanwhile, the application of stringent credit control succeeded in reducing the number of delinquencies.

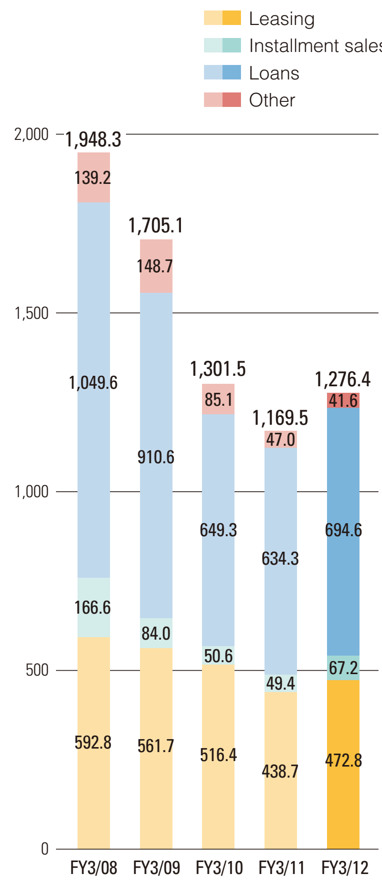
Net Income
(¥ Billion)



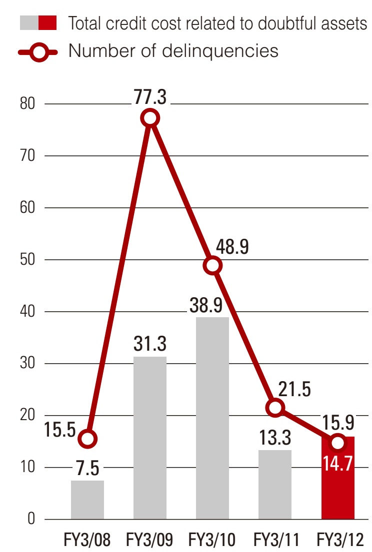
Financial Expenses
(¥ Billion)



Volume of New Transactions
(¥ Billion)



Total Credit Cost Related to Doubtful Assets / Number of Delinquencies
(¥ Billion)



Total credit cost related to doubtful assets: total of credit cost relating to cost of sales, selling, general and administrative expenses, non-operating income/expenses, and extraordinary income/loss.

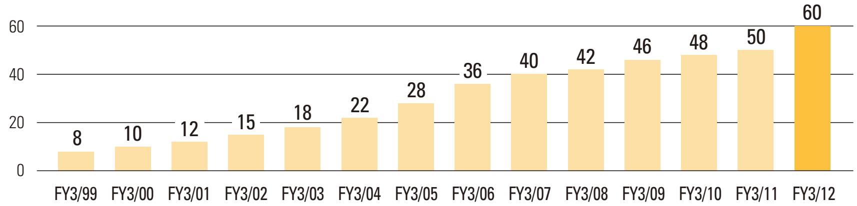
Total credit cost related to doubtful assets increased year on year due to the recording of a ¥3.3 billion loss on revaluation in respect of certain portfolio properties and other assets, but costs resulting from debtor bankruptcies and delinquencies, at ¥12.6 billion, were lower than in the previous fiscal year.

Total assets, at ¥3,682.3 billion, showed a slight year-on-year decline. Total equity grew by ¥31.1 billion from the end of the previous fiscal year to ¥420.9 billion, due notably to growth in net income. The equity ratio rose by 0.9 percentage point from the end of the previous fiscal year to 10.9%.

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

In the fiscal year ended March 31, 2012, we undertook our first stock repurchase in February. We increased the annual dividend per share by ¥10 from the previous fiscal year to ¥60, the 13th successive year of a dividend increase.

Cash Dividends per Share
(¥)



3 Target Profile and Future Initiatives

We aim to deploy a wide range of leasing and finance techniques as a comprehensive finance company to meet a variety of customer needs and achieve sustainable growth and prosperity as well as harmonious coexistence with all stakeholders. To achieve this goal, we need to put in place structures able to adapt flexibly to changes in the business environment and in customer needs.

To adapt to the overseas shift in corporate investment, we will seek to reinforce our networks and other alliances to respond accurately to customer needs. Our overseas operating assets, which stood at ¥220.4 billion as of March 31, 2011, had risen to ¥269.3 billion as of March 31, 2012. To bring this figure to a minimum of ¥300.0 billion in the two years to March 31, 2014, the end of our current management plan, we will work to attract overseas demand, particularly in the economically booming Asian region.

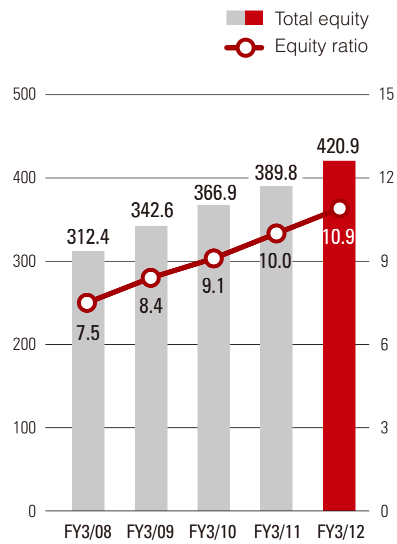
In the eco-related sector, where growing demand is forecast, we will leverage tie-ups with partner companies and make use of our own networks to proactively capture demand.

In addition, by refining our services in operating leases, sales of used equipment, and other areas that play to our strengths, we will push ahead with business operations that emphasize value.

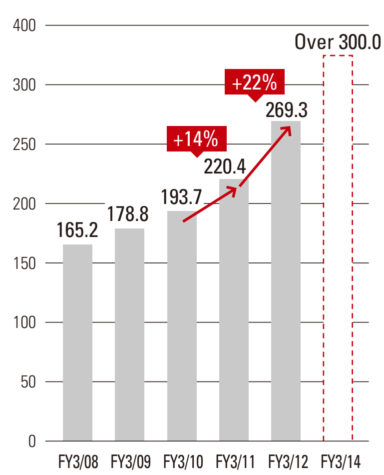
Going forward, by continuing to steadily implement the strategies and measures outlined in our Medium-Term Management Plan, ***Vision 2013***, we will seek to boost corporate value and attain sustainable growth.

Interview with the CEO

Total Equity (¥ Billion) / Equity Ratio (%)

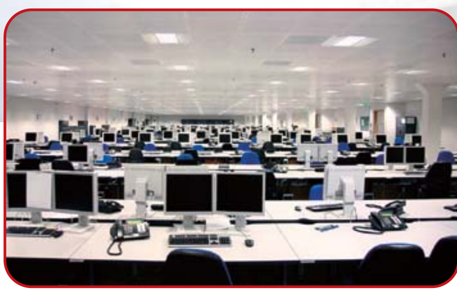


Overseas Operating Assets
(¥ Billion)



Special Feature 01

The Difference
That Mitsubishi UFJ Lease & Finance Delivers




We Support Customer Investment Activities with Products and Services That Make a Difference

Capital expenditure is not only essential for companies wishing to improve their competitiveness and achieve growth, but also an important factor in providing stimulus to the economy itself. The trend in capital expenditure has shown major changes in recent years. The first is that domestic capital expenditure, which had been in a long period of stagnation since the global financial crisis, recently began a strong recovery. According to the Survey on Planned Capital Spending conducted by the Development Bank of Japan (DBJ) in July 2011, covering large enterprises with capital of ¥1.0 billion or more, the total value of domestic capital expenditure for overall industry in fiscal 2011 (the year ended March 31, 2011) rose 7.3% year on year, the first growth in four years.

The second change is the acceleration of the overseas shift in investment. Led by manufacturing industry, production capacity is being enhanced with the aim of capturing local demand and exporting to third countries. This was reflected in overseas investment for fiscal 2011, which showed a substantial year-on-year increase of 49.2%. Similarly, in a survey of Japanese manufacturing industry conducted by the Japan Bank for International Cooperation (JBIC) from July to September 2011, the proportion of enterprises answering that they intended to strengthen their overseas businesses was 87.2%, the highest level since the survey began, supporting the picture of a strong overseas focus among enterprises.

Mitsubishi UFJ Lease & Finance has anticipated the overseas expansion of Japanese enterprises by putting in place overseas bases, strengthening alliances with local enterprises, and taking other measures to proactively support corporate global investment activities. Moreover, we have developed numerous superior, unique products and services adapted to increasingly sophisticated and diversified corporate investment needs. Based on a difference in values that leaves competitors far behind, we will continue to deliver optimal solutions to customers.

Difference 1 Greater Efficiency in Asset Management

e-Leasing Direct is a unique web-based asset management service offered by Mitsubishi UFJ Lease & Finance. Using this service means that all procedures involved in lease transactions can be completed online, leading to improved operational efficiency. Moreover, digitization of documents enables long-term storage of documents and reduction of document storage costs. In addition, linking of asset data and lease transaction information can facilitate more accurate identification of investment activity costs and more accurate asset management. Furthermore, the electronic authorization function available with ***e-Leasing Direct*** contributes to strengthened internal control.

Since introducing ***e-Leasing Direct***, we have worked to expand its functions, boosting the efficiency of customer asset management operations and simplifying accounting procedures. Moreover, since assets can be registered in overseas local currencies including the U.S. dollar, baht, and renminbi, the service is suited to the unified management of both domestic and overseas assets, which has become an important trend in recent years.

The outstanding convenience and advanced features of ***e-Leasing Direct*** have won high acclaim from many customers, as reflected in a balance of transactions of ¥358.0 billion as of the end of March 2012.

e-Leasing Direct

Difference 2 Our Used Equipment Trading Service Meets Diverse Capital Expenditure Needs

Mitsubishi UFJ Lease & Finance has built up a used equipment trade network with a wide repertoire that is difficult for other companies to challenge. As more and more enterprises consider moves such as business integration or overseas transfer of their production plants, demand is rising for purchase and sale of used equipment in Japan and overseas. We are therefore working to further enhance our used equipment trading business.

Looking, for instance, at the examples of plant and other facilities or customized equipment that enterprises have so far had to dispose of at their own expense, the used market is still insufficiently developed in view of the size and the advanced degree of specialization of the facilities involved.

However, our Group company Global Asset Solution Company Limited offers a total support service for large-scale facilities that are no longer required, covering all stages from relocation and purchase through to resale and disposal.

Our Group company U-Machine Inc., which engages in the purchase and sale of used industrial machinery, established its first overseas base in 2012 in Thailand and began a used equipment trading business there, where capital expenditure is at very active levels. Meanwhile, M-CAST, Inc., which engages in the purchase and sale of used medical equipment, draws on alliances with the U.S. company Block Imaging International, Inc. to deliver high-quality, used medical equipment to overseas markets. To succeed in the used equipment trading business, it is vital to have specialist knowledge of the equipment handled and to build a partnership that complements functions. Drawing on the expertise and network it has accumulated, the Mitsubishi UFJ Lease & Finance Group will continue to explore new business potential.

Difference

3 A Global Strategy under Reinforcement

Since opening a business base in Hong Kong in 1973, Mitsubishi UFJ Lease & Finance has worked to put in place a global business implementation structure to support the overseas expansion of Japanese enterprises by providing leasing and financing services. It has also progressed with the formation of a network of business bases and currently owns an extensive and versatile network consisting of 11 Group bases and alliances with local enterprises.

The region and the business sector regarded as having the greatest strategic importance for us is our business in the countries of Asia, where brisk economic growth continues. China has now overtaken Japan to become the world’s second-largest nation in terms of GDP and a major force in the world economy. To respond flexibly to strong customer demand in the area of capital expenditure in this rapidly expanding market, we issued corporate bonds denominated in renminbi to diversify our fund procurement sources.

In Thailand, meanwhile, in a joint project with the International Finance Corporation (IFC), we initiated an environmental program in December 2011 to support eco-related investment. This program sets aside funds (equivalent to a maximum of US$70 million) for use when Thai local enterprises or private-sector enterprises from overseas undertake investment in facilities to promote energy efficiency or alternative energies, enabling customer enterprises to select the optimal financial services for their investment plans. To coincide with the start of the program, we established a specialized department within our Thai subsidiary to handle eco-related business.

In addition, an alliance with the major financial group Chailease Holding Limited, which operates an extensive network throughout Asia, has allowed us to offer a diverse range of services.

We participated as a representative of Japanese enterprises in the First East Asia Summit Energy Efficiency Conference held in August 2011 in Laos, where our personnel gave a lecture on the effectiveness of leases in eco-related investment as part of efforts to further boost our presence in the Asian market. By continuing to develop more sophisticated leasing and financing techniques, we aim to grow as a comprehensive finance company in the Asian market.

Difference
4 Promotion of Enhancement/ Greater Efficiency in Public Infrastructure and Services

Facilities, roads, and other elements of the public infrastructure that were put in place during Japan's period of rapid economic growth are now reaching the end of their useful life, and the question of how to manage and upgrade these facilities has become a pressing one for central and local governments. This is because, while funds available for public investment are limited, the maintenance of infrastructure is essential for local communities. Against this background, increasing hopes are being put on private finance initiatives (PFIs), in which private-sector funds and managerial expertise are harnessed to put in place efficient and effective social capital and deliver public services. In this connection, the Act on Promotion of the Development of Public Facilities Using Private-Sector Funds (the PFI Law) was amended in May 2011, greatly extending the scope of applicability of PFIs.

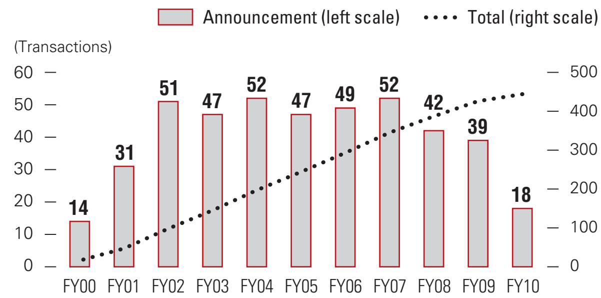
Since the early days of PFIs in Japan, Mitsubishi UFJ Lease & Finance has been actively developing this business, and the number of public facilities projects for which orders were received has reached a cumulative total of 47. This is one of the highest figures for any PFI business participant, including major concerns such as general contractors.

We saw the enactment of the amended PFI Law as a strong opportunity for business growth, and in November 2011 we established the Public Private Partnership Business Department. In addition to consolidating the business implementation structure, the unit will draw on the expertise and networks we have built up to expand the PFI and PPP* business, where opportunities are expected to grow.

*PPP (public private partnership): a type of project in which the public and private sectors cooperate using private-sector funds, technology, and expertise.

Market Scale of PFIs in Japan

Statistics of PFI Project Transactions (Announcement Base)



Source: Japan PFI PPP Association "PFI Yearbook 2011"

Difference
5 Active Rollout of Eco-Related Solutions

Mitsubishi UFJ Lease & Finance pursues the ESCO business as a way to provide financing support for environment-friendly corporate investment activities. By upgrading facilities that consume large amounts of energy, such as hotels and manufacturing plants, hospitals, public buildings, and other facilities, the ESCO business simultaneously improves energy efficiency and reduces costs.

One ESCO project at Nagoya University Hospital, involving the upgrading of four hospital wards and other facilities and in which we played the role of a representative company, won the 2011 Prize of the Chairman of the Energy Conservation Center under the Energy Conservation Grand Prize scheme. Organized by the Energy Conservation Center, Japan, with the support of the Ministry of Economy, Trade and Industry, this award recognizes applicants for outstanding activities to achieve energy efficiency or for energy-efficient products.

Mitsubishi UFJ Lease & Finance has so far undertaken a cumulative total of 398 ESCO projects (as of March 2012) and is one of the leading players in the field. Elsewhere, we have rolled out a comprehensive lineup to meet customer environmental needs. Building on the base of our rich experience and specialist expertise in environmental operations, we are working to expand our eco-related business.

Special Feature 02
A Safe and Secure Society
Supported by Mitsubishi UFJ Lease & Finance

Contributing to Creating a Prosperous and Sustainable Society through Diverse Activities in Corporate Social Responsibility (CSR)

We regard it as an important management task to earn the trust of all stakeholders and contribute to creating a society where people can live in security and prosperity. In the following, we present 10 topics selected from among our main CSR activities of recent years.

Topic 1 Exhibition at Metal Forming & Fabricating Fair Tokyo (MF-Tokyo 2011)

Mitsubishi UFJ Lease & Finance values opportunities for direct contact with customers and participates actively in trade fairs and exhibitions. In August 2011, we became the first finance company to exhibit at MF-Tokyo 2011, held at the Tokyo Big Sight exhibition center. The fair is a specialist exhibition of forming and processing technology organized by the Japan Forming Machinery Association. In 2011, the fair's second year, 150 firms from Japan and overseas exhibited and more than 29,000 visitors attended during the four-day event. Our booth was likewise sought out by persons from many enterprises with an interest in finance for overseas operations, and lively exchanges of information took place.

MF-Tokyo 2011

Topic 2 Exhibition at Japan-China Green Expo 2011 in Beijing

In June 2011, the National Convention Center in Beijing, China, hosted the Japan-China Green Expo 2011, at which enterprises and other institutions from both countries displayed the latest environmental and energy technology. Organized jointly by the Japan Business Federation (Keidanren) and the China Council for the Promotion of International Trade, this exhibition, held for the first time in 2011, took as its theme "building a green future for Japan and China together." The approximately 100 participating companies (some 60 of them from Japan) presented advanced technologies relating for instance to electricity generation using natural energy, waste recycling, and next-generation communication networks. The number of visitors reached approximately 20,000 over three days.

The event was held in an atmosphere of lively interest not surprising in China, where over the next five years approximately ¥38 trillion worth of investment in energy efficiency and environmental projects is expected. The Mitsubishi UFJ Lease & Finance booth was visited by many Chinese

Japan-China Green Expo 2011 in Beijing

enterprises, who made numerous inquiries regarding the ESCO business and the rest of our Group's lineup of eco-related services.

Topic 3 Training and Discussion for Locally Recruited Staff

With the aim of establishing a global management structure, Mitsubishi UFJ Lease & Finance is focusing its energies on educating the "national staff" who are the backbone our local organizations overseas. Taking care to respect the local culture and customs, we work through training programs to improve work skills and work awareness. Notes Mei Ling of Mitsubishi UFJ Lease & Finance (China) Co. Ltd. (MULC), "The lease business in China, which is a very large country, still has a great deal of untapped potential. The staff here are all very enthusiastic and there is a really energetic atmosphere at work." To achieve further progress in local recruitment, we plan to introduce a scholarship system from 2012 for local university students majoring in Japanese language and culture.

Topic 4 Establishment of the Diversity Promotion Office in the Human Resources Department

In May 2011, as part of organizational innovation and reinforcement of functions to coincide with the implementation of our new Medium-Term Management Plan, ***Vision 2013***, we established the Diversity Promotion Office as a new unit within the Human Resources Department. The office's mission is formulation and implemention of a range of measures to support an appropriate work-life balance and to promote human resources diversity to improve corporate competitiveness. In keeping with the modern trend of diversifying work patterns, the office actively supports staff members combining working life with childcare, and works to cultivate global human resources and ensure an ample supply of specialist human resources in strategic areas of business. Chief Manager Maiko Taniguchi says, "Our focus is on how to link diverse human resources with work and the workplace. We want to concentrate on changing our attitudes to patterns of work and on improving the work environment so that people do not have to give up on their careers due to life events."

Topic 5 Promoting Relief Activities for Overseas Disasters

As an enterprise Group with business operations worldwide, Mitsubishi UFJ Lease & Finance sees it as part of its social responsibility to provide active assistance when natural disasters occur overseas, for instance by sending monetary donations. In October 2011, to support rehabilitation in the wake of the flooding that devastated Thailand between July and December of that year, we donated ¥10 million. In November, we made donations to assist people hit by the major earthquake that had struck eastern Turkey in October. In November 2011, we received a letter of thanks from the Thai Red Cross Society in recognition of our assistance.


TESTIMONIAL OF APPRECIATION

HER MAJESTY QUEEN SIRIKIT
PRESIDENT OF THE THAI RED CROSS SOCIETY

GRACIOUSLY ACKNOWLEDGES WITH APPRECIATION
THE CONTRIBUTION OF

TO HELP ALLEVIATE SUFFERING OF THE PEOPLE AFFECTED BY FLOODS IN THAILAND

MAY THE DONOR ENJOY THE BLESSINGS OF
HEALTH, HAPPINESS AND PROSPERITY

A letter of thanks from the Thai Red Cross Society

Topic 6 Digital Cameras Presented to Children in a Disaster Zone

To support rehabilitation in areas devastated by the Great East Japan Earthquake, Mitsubishi UFJ Lease & Finance has engaged in wide-ranging action since immediately after the disaster occurred in March 2011. In addition to donating ¥30 million, its activities have included a diverse range of initiatives, including voluntary donations by Group officers and employees and provision of vehicles and PCs free of charge. In July 2011, as part of initiatives to support the next generation through educational activities, we presented 200 digital cameras to elementary and junior high school pupils living in shelters in the municipality of Iitate, Fukushima Prefecture. The cameras were intended to enrich the children's experience of educational programs run by the municipality in August, including a summer camp and a practically based educational course.

Photographic workshop

Topic 7 Environmental Seminar Held

Mitsubishi UFJ Lease & Finance participates in a diverse range of eco-related businesses. These include the carbon offset business, which has attracted interest as a strategy to counter global warming; the ESCO business, which offers a package to cover planning, installation work, finance, and effectiveness guarantees for energy efficiency conversion; and eco-related finance to support the construction of waste disposal facilities, and natural energy-based electricity generation facilities. Using the network built up through experience in these fields, we held MUL Environmental Seminars in February and March 2011 and a Carbon Offset Seminar in July 2011. At these events, which attracted many enterprises including existing customers, MUL's eco-related services, methods of utilizing carbon emission credits, and related initiatives were presented, using illustrations from actual practice.

Topic

8 Signatory to the Principles for Financial Action for the 21st Century

Mitsubishi UFJ Lease & Finance is a signatory to the "Principles for Financial Action towards a Sustainable Society" (Principles for Financial Action for the 21st Century). These principles are a set of guidelines formulated by the Drafting Committee for the Japanese Version of the PRI ("Principles for Responsible Investment"), for which the Ministry of the Environment acts as secretariat. The principles lay down the roles and responsibilities of financial institutions in building a sustainable society.

The drafting committee attracted the participation of a wide range of financial institutions. Following exhaustive discussions, it began in November 2011 with the recruitment of signatories among financial institutions that agree with the principles. We participated in the committee's working group at the request of the Ministry of the Environment and have also taken part in the formulation of guidelines. This serves as a clear expression of our commitment to further strengthening environmental finance initiatives.

Topic

9 Participation in the First East Asia Summit Energy Efficiency Conference

In August 2011, the First East Asia Summit Energy Efficiency Conference was held in Laos. To set energy efficiency targets and action plans for the countries of the East Asian region, the conference brought together officials responsible for environmental policy (ministers and aides) from 16 nations including the ASEAN countries and China and Japan, as well as representatives from international energy institutions, the World Bank and other international institutions.

Mitsubishi UFJ Lease & Finance was invited to this conference as a representative of the private-sector enterprises of Japan, an environmentally advanced nation. In a session entitled "Technology in Energy Efficiency and Private-Sector Business," we gave a lecture on the effectiveness and importance of leasing in environmental investment.

Topic

10 National Staff (NS) Training

Five members of the locally recruited staff who work at our overseas bases (known as "national staff" or NS) were invited to Tokyo for a three-day training event. Held for the first time, the training course aimed to promote career development for NS members, who are the backbone of Mitsubishi UFJ Lease & Finance's overseas businesses, and to stimulate more active communication among Group staff. The event included lectures by the Accounting Department, the Legal & Compliance Department, and other relevant departments and discussions among NS members in which opinions were exchanged on a range of subjects including systems and economic conditions in their different countries, fund procurement methods, effective communication with junior staff members, and employment issues. These talks also led to the identification of areas where bases in various countries will be able to cooperate going forward. The participating NS members said that they wanted to share with other members of their home base teams what they had learned in the training and the networks they had formed.

NS training

Message from the Chairman

Ryuichi Murata
Chairman

Promoting Management Based on Corporate Social Responsibility to Increase Corporate Value

Mitsubishi UFJ Lease & Finance believes that building firm relationships of trust with all stakeholders—customers, business partners, shareholders, investors, local communities and employees—is the basis underpinning the sustainable growth of our Group. With this in mind, we promote Group-wide management based on corporate social responsibility (CSR), focused around corporate governance, with the aim of increasing corporate value.

Our Group has strengthened management oversight functions by bringing in outside directors and auditors. By also introducing an executive officer system to separate management decision-making and oversight functions from business execution functions, we have combined a system that ensures transparency with one that generates a speedy and versatile response. To ensure compliance, the Compliance Committee, an advisory body to the Management Committee, meets regularly, and a company-wide education and guidance system operates, for which overall coordinating responsibility resides with the executive officer in charge of the Legal & Compliance Department. Meanwhile, to ensure the appropriate and efficient conduct of operations, we are progressing with the development of a legally compliant internal control system.

As our Group handles customers' personal data in the course of its operations, we regard enhancement of information security as a vital management issue. Accordingly, we have formulated information security management rules and personal information protection rules. At the same time, we work to raise awareness through e-learning programs and information security audits covering all personnel.

Conducting business in a fair and transparent way is the most important duty that enterprises owe to society. Going forward, the Mitsubishi UFJ Lease & Finance Group is committed to further enhancing its system of management based on CSR and thereby contributing to the creation of a prosperous future for society.

Corporate Governance

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

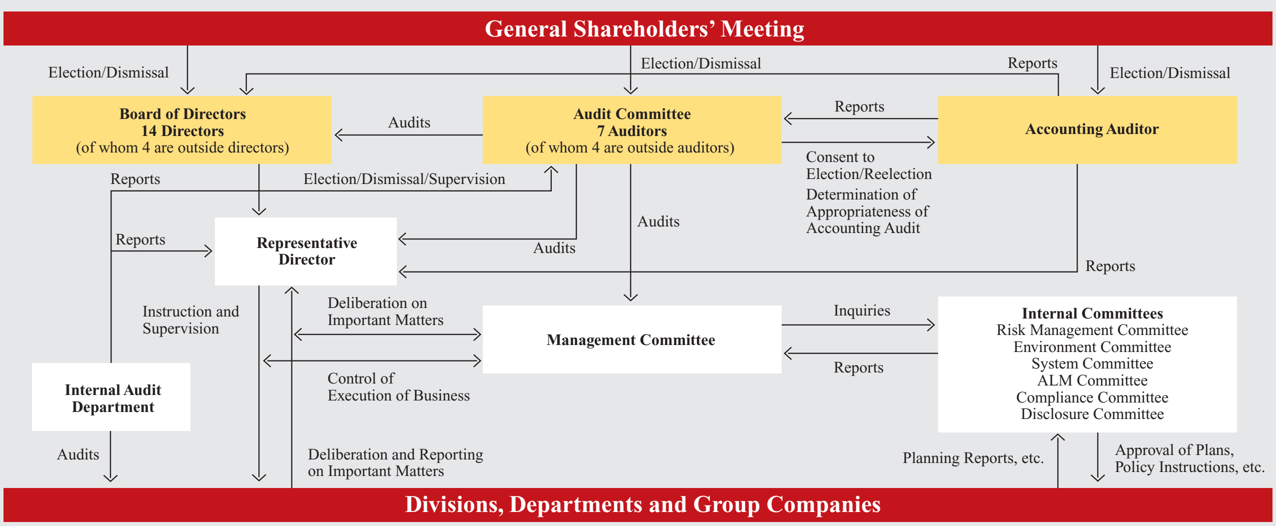
Corporate Governance Structure

Mitsubishi UFJ Lease & Finance works continuously to strengthen corporate governance so that it can clearly define its responsibilities to stakeholders and ensure transparent and sound management.

We have a team of 14 directors, of whom four are outside directors. In addition to meeting regularly, the Board of Directors can be convened on an ad hoc basis to facilitate swift and appropriate decision-making. In addition, we have introduced an executive officer system that separates management decision-making and oversight functions from business execution functions, thereby clarifying the respective roles and responsibilities. The executive officer team numbers 26, including nine who are jointly executive officers and directors.

The Board of Corporate Auditors, whose function is to perform fair oversight, consists of seven corporate auditors, including four outside corporate auditors. The corporate auditors work together with the accounting auditor and internal audit departments to maintain strict supervision of the directors' execution of business.

Organization of Corporate Governance



Internal Committees

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

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

Compliance

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

Compliance System

Mitsubishi UFJ Lease & Finance regards compliance as one of its most important management issues. The Compliance Committee, which is an advisory body to the Management Committee, meets every three months to check the level of implementation of compliance and to formulate action to strengthen compliance and ensure that it is firmly established. The committee is chaired by the chief compliance officer, a role filled by the executive officer in charge of the Legal & Compliance Department.

The Legal & Compliance Department provides other departments and branches with support, instruction, and training, the implementation of which is checked regularly by the Internal Audit Department. We also draw up a Compliance Risk Map, which analyzes compliance risk in terms of its potential frequency and degree of impact, and use it to reinforce the compliance system.

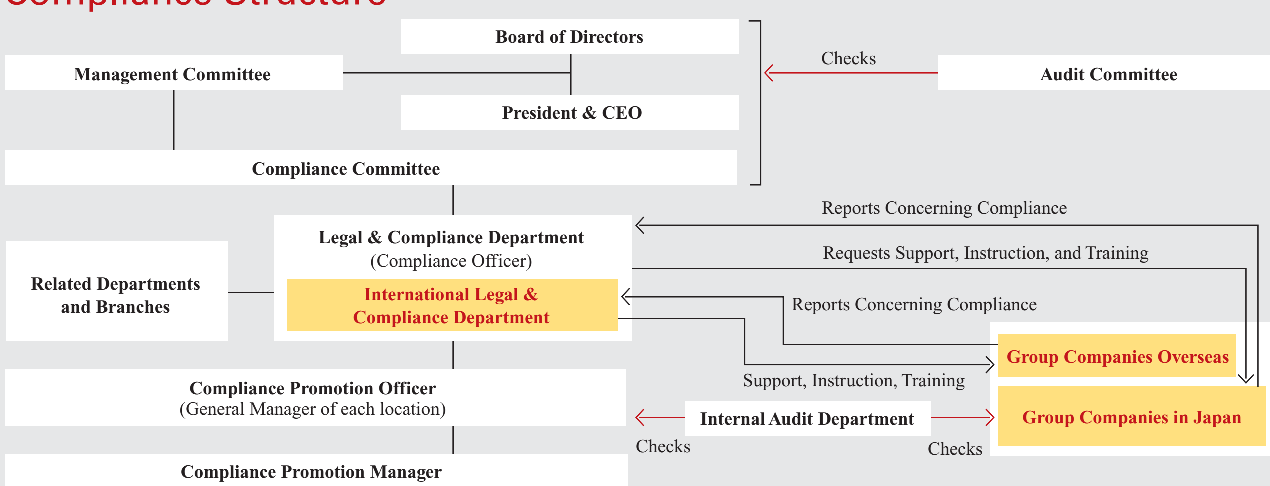
Internal Controls

Mitsubishi UFJ Lease & Finance is progressing with the development of an internal control system to ensure the appropriate and efficient conduct of operations.

The Accounting Department, which coordinates the internal control system, receives reports from other departments and branches on the implementation status of internal control. These are then summarized in a quarterly report to the Disclosure Committee, which is presented to the accounting auditor. To increase the reliability of financial reports, we promote the documentation of operational processes. The establishment of the internal control system has been carried out in accordance with Japan's Financial Instruments and Exchange Act.

We also distribute the Internal Controls Handbook to all employees as part of efforts to improve staff awareness of internal control.

Compliance Structure



Risk Management

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

Risk Management System

Mitsubishi UFJ Lease & Finance has put in place a set of risk management rules and a contingency plan and corresponding manuals to minimize the impact on business operations in the event of an accident, disruption, natural disaster, human error, or other risk scenario. In the event of a risk scenario arising, a unit to lead the response is appointed on a flexible basis and each department takes action in accordance with predetermined roles. To further enhance the risk management system, a practical business continuity plan (BCP) has been put in place.

Information Security

Mitsubishi UFJ Lease & Finance appreciates the importance of information protection in business management and takes steps to ensure that information security management is strictly implemented and to strengthen the personal information management system. We have put in place a set of information security management rules and a procedural manual, backed by a security policy, a system for categorizing the degree of importance of information assets, and rules for the use, management, and disposal of information. In addition to these measures for enforcing security, we are working to create an information security environment, for example, by introducing a system to prevent misdirection of e-mails and stepping up security protection on our website.

For the protection of personal information and to ensure appropriate handling in line with relevant legislation, we have formulated a set of personal information protection rules that regulate methods of obtaining and managing information. Moreover, all personnel, including temporary staff, are subject to information security checkups based on e-learning methods, while strict information security audits are also carried out at regular intervals.

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.

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 that 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.

Board of Directors, Corporate Auditors and Executive Officers (as of June 28, 2012)

Board of Directors

Chairman	**Ryuichi Murata**
President & CEO	**Tadashi Shiraishi***
Senior Managing Director	**Kazuo Momose***
Managing Director	**Koji Saimura***
	Kazuo Seki*
	Koichi Sakamoto*
	Taichi Ito*
	Nobuyoshi Ishii*
	Osamu Miki*
	Kiyoshi Tada*
Director	**Tadashi Ishikawa** Senior advisor of Toyota Industries Corporation
	Eiichi Tanabe Executive Vice President of Mitsubishi Corporation Group CEO, Industrial Finance, Logistics & Development Group
	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, Eiichi Tanabe, Hajime Inomata and Takami Matsubayashi are outside directors as defined in Article 2, Item 15 of the Corporation Act.

Corporate Auditors

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

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

Executive Officers

Managing Executive Officer	**Hiroyuki Kimijima**
	Kaoru Matsumoto
	Tatsuhisa Takahashi
	Hideki Kobayakawa
	Naoki Sato
	Tetsuo Kasuya
	Tsuyoshi Nonoguchi
Executive Officer	**Masashi Oonuki**
	Akira Hane
	Yoshitoshi Kuzuya
	Yuzuru Suzuki
	Shinichi Hongo
	Kunihiko Sato
	Hiroto Yamashita
	Yoshiaki Yamamoto
	Takeo Kudo
	Takatoshi Haruna

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

Financial Information

Management's Discussion and Analysis

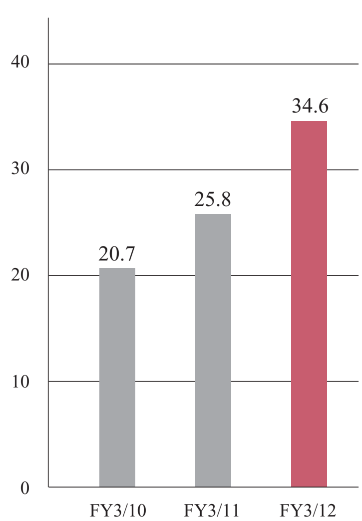
Business Results

During the year ended March 31, 2012, by steadily implementing the strategies and measures outlined in the Medium-Term Management Plan, ***Vision 2013***, Mitsubishi UFJ Lease & Finance worked to expand the functions it offers and its business base. These efforts resulted in a 9.1% year-on-year increase in the volume of new transactions to ¥1,276.4 billion. This marked the first year-on-year increase in the volume of new transactions in the four fiscal periods since the year ended March 31, 2008. By segment, the volume of new transactions increased by 7.8% year on year in the leasing business to ¥472.8 billion, by 36.2% in the installment sales business to ¥67.2 billion, and by 9.5% in the loans business to ¥694.6 billion. In other businesses, however, it decreased by 11.5% to ¥41.6 billion.

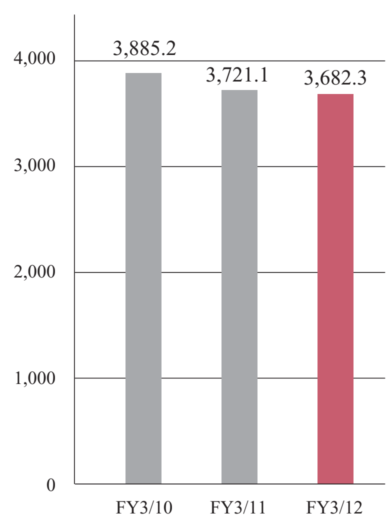
Revenues declined slightly by ¥0.2 billion year on year to ¥724.6 billion, and gross profit fell by ¥3.7 billion or 3.1% to ¥115.1 billion. Selling, general and administrative expenses were reduced by ¥0.9 billion or 1.5% from the previous fiscal year to ¥61.9 billion. These movements resulted in a year-on-year decline in operating income of ¥2.7 billion or 4.9% to ¥53.2 billion.

A provision for doubtful receivables in connection with the Great East Japan Earthquake was included in the accounts for the previous fiscal year. Of this, a ¥5.8 billion portion designated as a reversal of the allowance for doubtful receivables caused by the disaster was recorded as extraordinary income. This contributed to a growth in net income of ¥8.9 billion or 34.5% to ¥34.6 billion, a new profit record.

Net Income
(¥ Billion)



Total Assets
(¥ Billion)



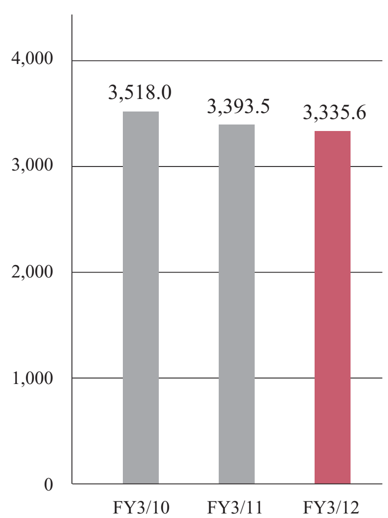
Financial Position

Total assets as of March 31, 2012 stood at ¥3,682.3 billion, representing a decline of ¥38.8 billion year on year. Consolidated total equity rose by ¥31.1 billion from the previous fiscal year-end to

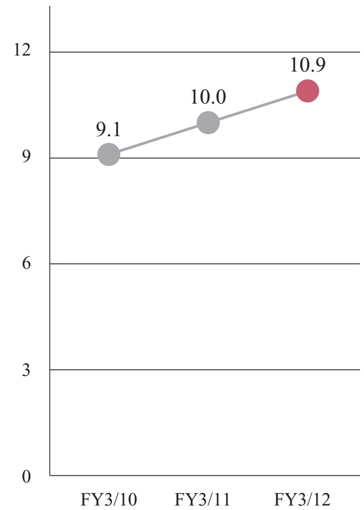
¥420.9 billion, due chiefly to the impact of increased net income, while the equity ratio rose by 0.9 percentage point from the end of the previous fiscal year to 10.9%. The balance of interest-bearing debt was reduced by ¥67.9 billion from the end of the previous fiscal year to ¥2,893.5 billion.

The main cash flows from operating activities were inflows of ¥62.0 billion in income before income taxes and minority interests; ¥101.3 billion in non-cash expenses relating to leased assets, specifically depreciation and amortization, and disposal and sale of assets; ¥18.3 billion in decrease in installment receivables; and ¥43.0 billion in decreases in operating securities and investment in private equity. Outflows included ¥77.3 billion for purchases of leased assets, ¥18.6 billion for increase in lease receivables and investments in leases, and ¥45.8 billion for increase in loan receivables were used. Net cash provided stood at ¥87.9 billion compared with ¥224.3 billion in the previous fiscal year.

Operating Assets (¥ Billion)



Equity Ratio (%)



Investing activities used net cash of ¥7.6 billion, contrasting with net cash used of ¥5.4 billion in the previous fiscal year. Sales and redemption of investment securities provided ¥2.8 billion, which was balanced by outflows including ¥3.4 billion for purchases of property and equipment, ¥4.0 billion for purchases of investment securities and ¥3.5 billion for payments into time deposits.

Financing activities used net cash of ¥68.6 billion, compared with net cash used of ¥191.7 billion in the previous fiscal year. This was mainly a result of cash inflows of ¥24.8 billion from indirect financing such as bank loans, and cash outflows of ¥85.9 billion from direct financing, together with ¥4.6 billion for payment of cash dividends.

As a result, cash and cash equivalents as of March 31, 2012 increased by ¥11.4 billion or 28.1% year on year to ¥51.8 billion.

Business and Related Risks

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

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

Statements relating to the future contained herein are based on judgments made by the Group as of the end of the consolidated fiscal year ended March 31, 2012 and may differ from actual outcomes due to changes in the external environment and other factors. Based on an awareness of these risks, the Group operates a system that has a necessary function for risk management and strives to avoid risk and to minimize its impact where it occurs.

1 Credit Risk

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

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

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

2 Interest Rate Fluctuation Risk

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

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

3 System Change Risk

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

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

4 Risk from Natural Disaster

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

5 Other Risk

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

Consolidated Balance Sheet

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Assets			
Current assets:			
Cash and cash equivalents (Notes 9 and 19)	¥ 51,766	¥ 40,409	$ 631,293
Time deposits other than cash equivalents (Notes 9 and 19)	4,522	992	55,146
Marketable securities (Notes 3 and 19)	66,614	75,194	812,366
Receivables:			
Lease	18,001	17,431	219,524
Installment sales (Note 19)	255,731	280,523	3,118,671
Loans (Notes 9 and 19)	1,193,608	1,174,661	14,556,195
Lease receivables and investments in lease (Notes 6, 9, and 19)	1,199,472	1,194,685	14,627,707
Inventories (Note 4)	6,359	14,426	77,549
Deferred tax assets (Note 17)	6,154	10,750	75,049
Prepaid expenses and other	47,702	41,648	581,732
Allowance for doubtful receivables (Note 19)	(19,478)	(30,023)	(237,537)
Total current assets	2,830,451	2,820,696	34,517,695
Leased assets — at cost	737,098	697,793	8,989,000
Accumulated depreciation	(269,115)	(218,906)	(3,281,890)
Net leased assets	467,983	478,887	5,707,110
Advances for purchases of leased assets	122	1,644	1,488
Total leased assets (Notes 5, 7, and 9)	468,105	480,531	5,708,598
Investments and other assets:			
Investment securities (Notes 3, 9, and 19)	196,745	241,528	2,399,329
Investments in unconsolidated subsidiaries and associated companies (Notes 9 and 19)	30,683	23,218	374,183
Investment in equity other than capital stock	13,324	10,574	162,488
Goodwill (Note 8)	40,498	43,417	493,878
Long-term receivables (Note 19)	49,451	40,922	603,061
Deferred tax assets (Note 17)	14,368	13,768	175,220
Other (Note 9)	41,942	42,956	511,487
Allowance for doubtful receivables (Note 19)	(15,533)	(9,335)	(189,427)
Total investments and other assets	371,478	407,048	4,530,219
Property and equipment — at cost	19,254	19,880	234,805
Accumulated depreciation	(6,989)	(7,018)	(85,232)
Net property and equipment	12,265	12,862	149,573
Total	¥3,682,299	¥3,721,137	$44,906,085

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Liabilities and Equity			
Current liabilities:			
Short-term borrowings (Notes 10, 16, and 19)	¥1,306,242	¥1,464,453	$15,929,780
Current maturities of long-term debt (Notes 9, 10, 16, and 19)	540,745	381,034	6,594,451
Payables — trade (Note 19):			
Notes	13,393	5,492	163,329
Accounts	77,561	77,511	945,866
Accrued expenses	11,971	12,930	145,988
Income taxes payable	11,606	13,496	141,537
Deposits from customers	17,608	17,722	214,732
Deferred profit on installment sales (Note 19)	33,298	38,375	406,073
Other (Notes 9 and 17)	56,668	62,921	691,074
Total current liabilities	2,069,092	2,073,934	25,232,830
Long-term liabilities:			
Long-term debt, less current maturities (Notes 9, 10, 16, and 19)	1,091,227	1,156,566	13,307,646
Liability for retirement benefits (Note 11)	2,974	2,923	36,268
Asset retirement obligations	11,959	11,527	145,841
Deferred tax liabilities (Note 17)	7,115	8,070	86,768
Other (Note 9)	79,068	78,314	964,245
Total long-term liabilities	1,192,343	1,257,400	14,540,768
Commitments and contingent liabilities (Notes 12 and 20)			
Equity (Notes 13 and 24)**:**			
Common stock — authorized, 320,000,000 shares in 2012 and 2011; issued, 89,583,416 shares in 2012 and 2011	33,196	33,196	404,829
Capital surplus	166,789	166,789	2,034,012
Stock acquisition rights (Note 14)	548	344	6,682
Retained earnings	207,677	177,604	2,532,646
Treasury stock — at cost, 726,906 shares in 2012 and 26,906 shares in 2011	(2,540)	(75)	(30,976)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	3,447	1,506	42,037
Deferred loss on derivatives under hedge accounting	(960)	(1,228)	(11,707)
Foreign currency translation adjustments	(4,604)	(4,057)	(56,146)
Total	403,553	374,079	4,921,377
Minority interests	17,311	15,724	211,110
Total equity	420,864	389,803	5,132,487
Total	¥3,682,299	¥3,721,137	$44,906,085

Consolidated Statement of Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Revenues:			
Customer finance	¥572,325	¥590,080	$6,979,573
Asset finance	152,286	134,683	1,857,146
Total revenues	724,611	724,763	8,836,719
Costs (Note 16)**:**			
Customer finance	489,174	506,512	5,965,537
Asset finance	120,359	99,521	1,467,793
Total costs	609,533	606,033	7,433,330
Gross profit	115,078	118,730	1,403,389
Selling, general, and administrative expenses (Note 15)	61,921	62,847	755,134
Operating income	53,157	55,883	648,255
Other income (expenses):			
Dividend income	941	856	11,476
Interest expense — net of interest income of ¥41 million ($500 thousand) in 2012 and ¥22 million in 2011 (Note 16)	(2,354)	(2,256)	(28,707)
Reversal of allowance for doubtful receivables caused by the disaster	5,806		70,805
Provision of allowance for doubtful receivables caused by the disaster		(9,729)	
Other — net	4,499	1,496	54,866
Other income (expenses) — net	8,892	(9,633)	108,440
Income before income taxes and minority interests	62,049	46,250	756,695
Income taxes (Note 17)**:**			
Current	23,258	21,408	283,634
Deferred	2,316	(2,182)	28,244
Total	25,574	19,226	311,878
Net income before minority interests	36,475	27,024	444,817
Minority interests in net income	1,834	1,268	22,366
Net income	¥ 34,641	¥ 25,756	$ 422,451

	Yen		U.S. Dollars
	2012	2011	2012
Amounts per share of common stock (Note 23)**:**			
Basic net income	¥387.17	¥287.59	$4.72
Diluted net income	386.44	287.28	4.71
Cash dividends applicable to the year	60.00	50.00	0.73

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net income before minority interests	¥36,475	¥27,024	$444,817
Other comprehensive income (Note 21)**:**			
Net unrealized gain on available-for-sale securities	1,930	1,602	23,537
Deferred gain on derivatives under hedge accounting	263	350	3,207
Foreign currency translation adjustments	(642)	(1,161)	(7,829)
Share of other comprehensive income in associates	34	(33)	415
Total other comprehensice income	1,585	758	19,330
Comprehensive income	¥38,060	¥27,782	$464,147
Total comprehensive income attributable to:			
Owners of the parent	¥36,303	¥26,529	$442,720
Minority interests	1,757	1,253	21,427

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Year ended March 31, 2012

	Thousands of Shares		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**	2011	**2012**
Common stock:					
Beginning balance	**89,583**	89,583	**¥ 33,196**	¥ 33,196	**$ 404,829**
Ending balance	**89,583**	89,583	**¥ 33,196**	¥ 33,196	**$ 404,829**
Capital surplus:					
Beginning balance			**¥166,789**	¥166,789	**$2,034,012**
Ending balance			**¥166,789**	¥166,789	**$2,034,012**
Stock acquisition rights:					
Beginning balance			**¥ 344**	¥ 181	**$ 4,195**
Net change in the year (Note 14)			**204**	163	**2,487**
Ending balance			**¥ 548**	¥ 344	**$ 6,682**
Retained earnings:					
Beginning balance			**¥177,604**	¥156,354	**$2,165,902**
Net income			**34,641**	25,756	**422,451**
Cash dividends paid			**(4,568)**	(4,388)	**(55,707)**
Adjustment of retained earnings of newly consolidated subsidiaries				(52)	
Change of scope of equity method				(66)	
Ending balance			**¥207,677**	¥177,604	**$2,532,646**
Treasury stock:					
Beginning balance	**(27)**	(27)	**¥ (75)**	¥ (75)	**$ (915)**
Net change in the year	**(700)**		**(2,465)**		**(30,061)**
Ending balance	**(727)**	(27)	**¥ (2,540)**	¥ (75)	**$ (30,976)**
Accumulated other comprehensive income:					
Net unrealized gain on available-for-sale securities:					
Beginning balance			**¥ 1,506**	¥ (84)	**$ 18,366**
Net change in the year			**1,941**	1,590	**23,671**
Ending balance			**¥ 3,447**	¥ 1,506	**$ 42,037**
Deferred loss on derivatives under hedge accounting:					
Beginning balance			**¥ (1,228)**	¥ (1,582)	**$ (14,975)**
Net change in the year			**268**	354	**3,268**
Ending balance			**¥ (960)**	¥ (1,228)	**$ (11,707)**
Foreign currency translation adjustments:					
Beginning balance			**¥ (4,057)**	¥ (2,887)	**$ (49,476)**
Net change in the year			**(547)**	(1,170)	**(6,670)**
Ending balance			**¥ (4,604)**	¥ (4,057)	**$ (56,146)**
Minority interests:					
Beginning balance			**¥ 15,724**	¥ 15,000	**$ 191,756**
Net change in the year			**1,587**	724	**19,354**
Ending balance			**¥ 17,311**	¥ 15,724	**$ 211,110**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Operating activities:			
Income before income taxes and minority interests	¥ 62,049	¥ 46,250	$ 756,695
Adjustment for:			
Income taxes — paid	(25,111)	(16,512)	(306,232)
Depreciation and amortization	85,709	79,925	1,045,232
Amortization of negative goodwill	(25)	(25)	(305)
(Reversal) provision of allowance for doubtful receivables	(4,291)	11,041	(52,329)
Loss on disposal and sales of leased assets	22,896	12,955	279,220
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	(28,540)	64,440	(348,049)
(Increase) decrease in lease receivables and investments in lease	(18,590)	41,860	(226,707)
Decrease in operating securities and investment in private equity	42,995	27,928	524,329
Increase in trade payables	7,957	2,400	97,037
Increase (decrease) in interest payable	94	(974)	1,146
Purchases of leased assets	(77,307)	(108,404)	(942,768)
Other — net	20,105	63,421	245,183
Total adjustments	25,892	178,055	315,757
Net cash provided by operating activities	87,941	224,305	1,072,452
Investing activities:			
Purchases of property and equipment	(3,422)	(5,035)	(41,731)
Purchases of investment securities	(3,959)	(5,311)	(48,280)
Proceeds from sales and redemption of investment securities	2,762	4,765	33,683
Payments for acquisition of consolidated subsidiary	(37)	(270)	(451)
Payments into time deposits	(3,500)		(42,683)
Proceeds from withdrawal of time deposits		7	
Other — net	525	442	6,402
Net cash used in investing activities	(7,631)	(5,402)	(93,060)
Financing activities:			
Repayments of long-term debt	(443,242)	(498,798)	(5,405,390)
Proceeds from long-term debt	535,823	397,464	6,534,427
Net decrease in short-term borrowings	(153,601)	(85,075)	(1,873,183)
Cash dividends paid	(4,568)	(4,388)	(55,707)
Other — net	(3,043)	(897)	(37,111)
Net cash used in financing activities	(68,631)	(191,694)	(836,964)
Foreign currency translation adjustments on cash and cash equivalents	(96)	(161)	(1,171)
Net increase in cash and cash equivalents	11,583	27,048	141,257
(Decrease) increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries	(226)	381	(2,756)
Cash and cash equivalents, beginning of year	40,409	12,980	492,792
Cash and cash equivalents, end of year	¥ 51,766	¥ 40,409	$ 631,293

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1 Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2011 consolidated financial statements to conform to the classifications used in 2012.

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 ¥82 to US$1, the approximate rate of exchange at March 31, 2012.

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, 2012 include the accounts of the Company and its 88 (87 in 2011) significant subsidiaries.

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

Investments in five (five in 2011) associated companies are accounted for by the equity method.

In September 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 20, "Practical Solution Application of Control Criteria and Influence Criteria to Investment Associations." The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, silent partnerships and other entities with similar characteristics. The Company applied this task force and consolidated four such collective investment vehicles in 2012 (four in 2011).

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

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

The excess of the fair value of the net assets of the acquired subsidiary over the cost of an acquisition ("negative goodwill") at the date of acquisition is recognized in the consolidated 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 20 years.

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

Tarami Corporation and its subsidiary ("Tarami") and another company 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 them as an owner but to improve their business for investment purpose through the consolidated private equity firm.

b. Business Combinations — In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:
(1) The previous accounting standard for business combinations 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 costs acquired in a business combination are capitalized as an intangible asset.
(3) The previous accounting standard required that a bargain purchase gain (negative goodwill) be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

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

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

Lessor — Finance leases that are deemed to transfer ownership of the leased property to the lessee are to be treated as sales. However, under the previous accounting standard, other finance leases were permitted to be accounted for as operating lease transactions if certain "as-if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as "lease receivables," and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as "investments in 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 that 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 ¥176,777 million ($2,155,817 thousand) in 2012 and ¥191,288 million in 2011, 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 statement 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 consolidated financial statements available on the reportable date ruled by the partnership contracts.

The Companies have operating securities to gain interest or dividend income, that is interest and so on. The amounts of the operating securities included in "Marketable Securities" and "Investment Securities" were ¥64,245 million ($783,476 thousand) and ¥149,958 million ($1,828,756 thousand), respectively, as of March 31, 2012, and ¥74,694 million and ¥189,836 million, respectively, as of March 31, 2011. In addition, the Companies record income from those as "Revenues" in the consolidated statement of income.

As mentioned in Note 2. a, the Companies also have investments in private equity (Tarami and another company). Investments in private equity, included in "Investment Securities," as of March 31, 2012 and 2011 were ¥8,214 million ($100,171 thousand) and ¥4,456 million, respectively.

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 ("DCFs") from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Allowance for Doubtful Receivables —The allowance for doubtful receivables is stated 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 ¥30,727 million ($374,720 thousand) and ¥35,698 million at March 31, 2012 and 2011, respectively.

k. Retirement and Pension Plans

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

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

Retirement Allowances for Directors and 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 consolidated balance sheet date.

l. Asset Retirement Obligations — In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the DCFs required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of 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.

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

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

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

o. Translation of Foreign Currency Accounts

Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date or, for hedged transactions, the applicable exchange rates. The foreign exchange gains and losses from translation are recognized in the consolidated statement 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 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 statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

Interest rate swaps and currency-interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value. Instead the differential paid or received under the swap contracts is recognized and included in interest expense or income. Other interest rate swaps and currency-interest rate swaps that 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.

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 statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

r. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies — When a new accounting policy is applied 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; and (4) Corrections of Prior-Period Errors — When an error and in prior-period financial statements is discovered, those financial statements are restated. This accounting standard and the guidance were applicable to accounting changes and corrections of prior-period errors that are made from the beginning of the fiscal year that begins on or after April 1, 2011.

s. New Accounting Pronouncements

Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000, and the other related practical guidances being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the consolidated balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the consolidated balance sheet, and the difference between retirement benefit obligations and plan assets ("deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the consolidated statement of income and the consolidated statement of comprehensive income

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

The accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

3 Marketable and Investment Securities

Marketable and investment securities as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Current:			
Debt securities	¥ 60,603	¥ 56,748	$ 739,061
Trust fund investments and other	6,011	18,446	73,305
Total	¥ 66,614	¥ 75,194	$ 812,366
Non-current:			
Equity securities	¥ 44,600	¥ 37,287	$ 543,903
Debt securities	82,385	131,305	1,004,695
Trust fund investments and other	69,760	72,936	850,731
Total	¥196,745	¥241,528	$2,399,329

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011, were as follows:

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

	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

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 290,354	$94,426	$(22,244)	$ 362,536
Debt securities	1,708,268	11,206	(98)	1,719,376
Trust fund investments	126,305	98	(15,683)	110,720

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2012 and 2011, were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Available-for-sale:			
Equity securities	¥14,871	¥10,868	$ 181,354
Debt securities	2,000	2,000	24,390
Trust beneficiary interests	427	133	5,207
Silent partnership interest	49,501	64,282	603,671
Senior equity interest	12,408	5,129	151,317
Limited partnership interest	4,355	5,140	53,110
Total	¥83,562	¥87,552	$1,019,049

The proceeds from realized gains and losses of the available-for-sale securities which were sold during the year ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Proceeds	¥8,461	¥4,236	$103,183
Realized gains	1,438	984	17,537
Realized losses	232	308	2,829

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Equity securities	¥ 183	¥ 1,579	$ 2,232
Debt securities	1,317	660	16,061
Trust fund investments and other	2,534	1,854	30,902
Total	¥4,034	¥4,093	$49,195

4 Inventories

Inventories at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Merchandise	¥ 960	¥ 3,535	$ 11,707
Real estate held for resale	5,399	10,891	65,842
Total	¥ 6,359	¥14,426	$ 77,549

5 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."

The Companies own certain rental properties, such as office buildings, commercial facilities, and rental residential properties, in major cities throughout Japan. The net of rental income and operating expenses for those properties was ¥6,189 million ($75,476 thousand) and ¥5,949 million for the fiscal years ended March 31, 2012 and 2011, respectively.

The carrying amounts, changes in such balances, and fair value of the properties at March 31, 2012 and 2011, were as follows:

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

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

Thousands of U.S. Dollars			
2012			
Carrying amount			Fair value
Beginning of the year	Decrease	End of the year	End of the year
$2,232,354	$(122,098)	$2,110,256	$2,154,646

Notes:

1) Carrying amounts recognized in the consolidated balance sheets are net of accumulated depreciation and accumulated impairment losses, if any.
2) Decrease during the fiscal year ended March 31, 2012 was primarily attributable to ¥11,054 million ($134,805 thousand) from sales of real estate. Increase during the fiscal year ended March 31, 2011 was primarily attributable to ¥17,870 million from new acquisition of real estate and ¥13,378 million of investment properties originally owned by newly consolidated subsidiaries.
3) For fair value disclosure on major properties, the Company obtains fair value using third party real estate appraisers or by the DCF method. When changes in facts or circumstances indicate that there is no significant change in indexes for the latest appraisal, the Companies use the fair value of these properties based on such appraisal. For fair value disclosure on other properties, the Company obtains 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.

6 Lease Receivables and Investments in Lease

Lease receivables at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Gross lease receivables	¥198,966	¥145,583	$2,426,415
Unearned interest income......	(22,111)	(16,526)	(269,647)
Total........................	¥176,855	¥129,057	$2,156,768

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2012, were as follows:

Years Ending March 31	Millions of Yen 2012	Thousands of U.S. Dollars 2012
2013..	¥ 51,392	$ 626,732
2014..	41,849	510,354
2015..	32,230	393,049
2016..	24,931	304,036
2017..	15,496	188,976
Thereafter..................................	33,068	403,268
Total.......................................	¥198,966	$2,426,415

Investments in leases at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Gross investments in leases...	¥1,237,590	¥1,298,759	$15,092,561
Residual values	53,580	59,403	653,415
Unearned interest income......	(268,553)	(292,534)	(3,275,037)
Total........................	¥1,022,617	¥1,065,628	$12,470,939

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2012, were as follows:

Years Ending March 31	Millions of Yen 2012	Thousands of U.S. Dollars 2012
2013	¥ 337,861	$ 4,120,256
2014	254,498	3,103,634
2015	190,594	2,324,317
2016	139,500	1,701,220
2017	84,977	1,036,305
Thereafter	230,160	2,806,829
Total	¥1,237,590	$15,092,561

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. It was ¥7,349 million ($89,622 thousand) larger for the year ended March 31, 2012, and ¥6,922 million larger for the year ended March 31, 2011, than would be recorded using the interest method from the beginning of the transition date.

Sublease contracts, including those that aim to disperse the credit risks, amounts of balance sheet accounts including interest as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Lease receivables	¥12,899	¥12,667	$157,305
Investments in lease	30,844	27,173	376,146
Lease obligations	44,599	40,539	543,890

7 Leased Assets

Leased assets as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Computers and office equipment	¥ 29,261	¥ 30,295	$ 356,842
Industrial and construction machinery	167,860	184,607	2,047,073
Other	270,862	263,985	3,303,195
Total	467,983	478,887	5,707,110
Advances for purchases of leased assets	122	1,644	1,488
Total leased assets	¥468,105	¥480,531	$5,708,598

The minimum future rentals on lease contracts as of March 31, 2012 and 2011, were ¥201,301 million ($2,454,890 thousand) and ¥223,368 million, respectively.

The aggregate annual maturities of the minimum future rentals on lease contracts as of March 31, 2012, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 68,264	$ 832,488
2014	45,461	554,402
2015	31,158	379,976
2016	21,025	256,402
2017	13,257	161,671
Thereafter	22,136	269,951
Total	¥201,301	$2,454,890

8 Goodwill

Goodwill at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Goodwill in connection with acquisition	¥32,035	¥34,171	$390,671
Consolidation goodwill	8,463	9,246	103,207
Total	¥40,498	¥43,417	$493,878

9 Pledged Assets

As of March 31, 2012, 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
Cash and cash equivalents	¥ 228	$ 2,780
Time deposits other than cash equivalents	495	6,037
Receivables—loans	97,488	1,188,878
Lease receivables and investments in lease	55,698	679,244
Leased assets	68,785	838,841
Investment securities	8,315	101,402
Investments in unconsolidated subsidiaries and associated companies	201	2,451
Investment and other assets—other	214	2,610

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	¥104,215	$1,270,915
Loans from the banks and other financial institutions	54,776	668,000
Other current liabilities	91	1,110
Other long-term liabilities	1,107	13,500

10 Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Short-term loans from banks and other financial institutions with interest rates ranging:			
2012 — from 0.19% to 8.00%	¥ 586,942		$ 7,157,829
2011 — from 0.20% to 8.05%		¥ 598,453	
Commercial paper with interest rates ranging:			
2012 — from 0.09% to 0.15%	719,300		8,771,951
2011 — from 0.10% to 0.25%		866,000	
Total	¥1,306,242	¥1,464,453	$15,929,780

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, 2012, the Company has not received any such request.

Long-term debt as of March 31, 2012 and 2011, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Bonds			
Straight bonds and floating-rate bonds due in 2012, with interest rates ranging from 0.25% to 1.74%		¥ 112,600	
Straight bonds and floating-rate bonds due in 2013, with interest rates ranging from 0.31% to 1.65%	¥ 198,100	147,700	$ 2,415,854
Straight bonds and floating-rate bonds due in 2014, with interest rates ranging from 0.33% to 1.12%	57,512	50,700	701,366
Straight bonds and floating-rate bonds due in 2015, with interest rates ranging from 0.40% to 3.60%	36,918	2,500	450,219
Straight bonds and floating-rate bonds due in 2016, with interest rates ranging from 0.57% to 0.84%	65,500	65,500	798,779
Straight bonds and floating-rate bonds due in 2017, with interest rate at 0.58%	80,000		975,610
Loans from the securitization of the minimum future rentals on lease contracts, with interest rates ranging:			
from 0.51% to 2.62%, due through 2016	41,793	53,885	509,671
Floating-rate, due through 2021	62,422	48,059	761,244
Lease obligations included fixed interests, due through 2024	44,710	40,583	545,244
Loans from the banks and other financial institutions, partially collateralized with interest rates ranging:			
from 0.40% to 6.80%, due through 2031	1,045,017	1,016,073	12,744,110
Total	1,631,972	1,537,600	19,902,097
Less current maturities	(540,745)	(381,034)	(6,594,451)
Long-term debt, less current maturities	¥1,091,227	¥1,156,566	$13,307,646

Annual maturities of long-term debt as of March 31, 2012, for the next five years and thereafter were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 540,745	$ 6,594,451
2014	343,009	4,183,037
2015	239,501	2,920,744
2016	183,823	2,241,744
2017	238,702	2,911,000
Thereafter	86,192	1,051,121
Total	¥1,631,972	$19,902,097

The Company had loan commitment agreements as of March 31, 2012 and 2011, amounting to ¥300,000 million ($3,658,537 thousand) and ¥300,000 million, respectively, of which ¥300,000 million ($3,658,537 thousand) and ¥300,000 million were unused, respectively.

11 Retirement and Pension Plans

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

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

The liability for retirement benefits for directors and corporate auditors of the consolidated domestic subsidiaries at March 31, 2012 and 2011, was ¥154 million ($1,878 thousand) and ¥165 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, 2012, and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥17,124	¥16,136	$208,829
Fair value of plan assets	(11,618)	(10,455)	(141,683)
Unrecognized prior service cost	(255)	(327)	(3,110)
Unrecognized actuarial loss	(2,520)	(2,699)	(30,731)
Net liability	2,731	2,655	33,305
Prepaid pension cost	(89)	(103)	(1,085)
Accrued liability	¥ 2,820	¥ 2,758	$ 34,390

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥1,018	¥ 973	$12,415
Interest cost	247	251	3,012
Expected return on plan assets	(169)	(154)	(2,061)
Amortization of prior service cost	73	153	890
Recognized actuarial loss	279	248	3,402
Additionally paid retirement benefits	14	15	171
Net periodic benefit costs	¥1,462	¥1,486	$17,829

Assumptions used for the years ended March 31, 2012 and 2011, were set forth as follows:

	2012	2011
Discount rate	1.5 to 1.7%	1.5 to 1.7%
Expected rate of return on plan assets	1.5 to 1.7%	1.5 to 1.7%
Amortization period of prior service cost	13 to 15 years	13 to 15 years
Recognition period of actuarial gain/loss	10 to 20 years	10 to 20 years

12 Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2012, totaling ¥149,686 million ($1,825,439 thousand), the used portion is ¥13,234 million ($161,390 thousand), and the unused portion is ¥136,452 million ($1,664,049 thousand). This amount includes unused portions of the facilities of ¥106,394 million ($1,297,488 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, 2012, the Companies have commitments for the purchase of assets for leasing and installment sales, at a cost of approximately ¥113,116 million ($1,379,463 thousand).

The Companies are contingently liable as of March 31, 2012, as guarantor or co-guarantor for borrowings and others of ¥17,197 million ($209,720 thousand) for their unconsolidated subsidiaries and others.

The Companies have entered into various interest rate swaps, cross-currency interest rate swaps, and foreign exchange forward contracts in the ordinary course of business (see Note 20).

13 Equity

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having a 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 Companies 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 Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

14 Stock Based Compensation

The Company has stock option plan for certain directors and executive officers. Under the plan, the right to purchase the common shares of the Company is granted at an exercise price of ¥1 per share. The contractual term of the stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 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, 2012, were as follows:

	2010 stock option	2011 stock option	2012 stock option
Persons granted	9 directors 17 executive officers	9 directors 17 executive officers	10 directors 17 executive officers
Number of options granted	68,440	65,160	72,170
Date of grant	October 15, 2009	October 15, 2010	October 14, 2011
The fair value of options granted under the plan at the grant dates	¥2,643 ($32.23)	¥2,501 ($30.50)	¥2,831 ($34.52)

The total stock-based compensation costs recognized for the years ended March 31, 2012 and 2011 were ¥204 million ($2,488 thousand) and ¥163 million, respectively.

The fair value of 2012 stock option is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table.

	2012 stock option
Volatility of stock price	47.33%
Estimated remaining outstanding period	3.8 years
Estimated dividend	1.66%
Risk free interest rate based	0.28%

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 ¥50 ($0.61) made in the preceding year for the years ended March 31,

2012. 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, 2011 and 2012, were as follows:

	2010 stock option	2011 stock option	2012 stock option
	Number of Shares		
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	
For the year ended March 31, 2012			
Outstanding at beginning of the fiscal year	68,440	65,160	
Granted			72,170
Canceled or expired			
Exercised			
Outstanding at end of the fiscal year	68,440	65,160	72,170
Vested at end of the fiscal year	68,440	65,160	72,170

15 Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Provision for doubtful receivables	**¥ 9,126**	¥16,447	**$111,293**
Employees' salaries, bonuses, and allowances	**14,594**	13,830	**177,976**
Others	**38,201**	32,570	**465,865**
Total	**¥61,921**	¥62,847	**$755,134**

16 Related Party Transactions

The transactions with associates and a principal shareholder for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Interest expense	**¥2,649**	¥3,314	**$32,305**

Amounts due from and to associates and a principal shareholder as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Short-term borrowings	**¥145,024**	¥150,300	**$1,768,585**
Long-term debt, including current maturities	**158,486**	182,949	**1,932,756**

17 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, 2012 and 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets:			
Allowance for doubtful receivables	**¥17,281**	¥21,818	**$210,744**
Investment securities and investments in subsidiaries and associated companies	**6,100**	5,521	**74,390**
Advances received—lease	**2,906**	3,311	**35,439**
Other	**13,079**	14,036	**159,500**
Total deferred tax assets	**39,366**	44,686	**480,073**
Less valuation allowance	**(7,919)**	(10,249)	**(96,573)**
Less deferred tax liabilities	**(10,925)**	(9,919)	**(133,231)**
Net deferred tax assets	**¥20,522**	¥24,518	**$250,269**

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax liabilities:			
Difference in assets and liabilities of newly consolidated subsidiary between fair value and tax basis	**¥6,617**	¥ 7,342	**$ 80,695**
Deferred revenues from certain finance lease transactions	**4,874**	3,764	**59,439**
Difference in assets and liabilities between purchase method and tax basis	**2,897**	3,778	**35,329**
Other	**3,787**	3,125	**46,183**
Total deferred tax liabilities	**18,175**	18,009	**221,646**
Less deferred tax assets	**(10,925)**	(9,919)	**(133,231)**
Net deferred tax liabilities	**¥7,250**	¥ 8,090	**$ 88,415**

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, 2012 and 2011, are not significant.

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.7% to 38.01% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.64% afterwards. The effect of this change was to decrease deferred taxes (net of deferred tax liabilities) in the consolidated balance sheet as of March 31, 2012, by ¥1,428 million ($17,415 thousand), to increase income taxes — deferred in the consolidated statement of income for the year then ended by ¥1,598 million ($19,488 thousand), to increase net unrealized gain on available-for-sale securities by ¥200 million ($2,439 thousand), and to decrease deferred loss on derivatives under hedge accounting by ¥30 million ($366 thousand).

18 Leases

The Companies lease certain equipment and other assets under finance leases. Total rental expenses under such leases for the years ended March 31, 2012 and 2011, were ¥1 million ($12 thousand) and ¥3 million, respectively.

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

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, and other information for finance leases that did not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, for the years ended March 31, 2012 and 2011, were as follows:

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

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

	Thousands of U.S. Dollars		
March 31, 2012	Acquisition cost	Accumulated depreciation	Net leased property
Property and equipment	**$37**	**$(37)**	

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, 2012 and 2011, was ¥1 million ($12 thousand) and ¥3 million, respectively.

The future minimum payments for such non-cancelable financing leases, including the imputed interest, and operating leases as lessee at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Obligations under finance leases			
Due within one year ………		¥ 2	
Due after one year …………			
Total …………………………		¥ 2	
Obligations under operating leases			
Due within one year ………	¥1,778	¥1,935	$21,683
Due after one year …………	5,483	1,795	66,866
Total ……………………	¥7,261	¥3,730	$88,549

19 Financial Instruments and Related Disclosures

(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 20.

(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 are also 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 20 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 Value at Risk (VaR) method which estimates changes in the market value of portfolios within a certain period by statistically analyzing past market data. In calculating the VaR, the Companies adopt a historical simulation model (holding period, one year; confidence interval, 99%; and observation period, five years). The aggregate VaR at March 31, 2012 and 2011, was ¥13,269 million ($161,817 thousand) and ¥24,705 million, respectively. The Companies measure and manage market risks, including the risks of the future rentals on and residual values of operating lease transactions, since they are also exposed to market risks same as lease receivables and investments in lease (which are related to finance lease transactions).

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

(c) Liquidity risk management on financing

The Companies monitor the cash management status of the Companies as a whole, and control the duration mixture of financing. Through maintaining commitment lines with multiple financial institutions and diversification of financing 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 DCF models or other valuation techniques. Considerable judgment is required in determining methodologies and assumptions used in estimating fair values of financial instruments, therefore, the effect of using different methodologies and assumptions may be material to the estimated fair value amounts.

Fair value of financial instruments other than derivatives at March 31, 2012 and 2011, was as follows: Please see Note 20 for fair value information for derivatives.

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

March 31, 2011	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain/loss
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, 2012	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	**$ 631,293**	**$ 631,293**	
Time deposits other than cash equivalents	**55,146**	**55,146**	
Receivables			
Installment sales	**3,118,671**		
Deferred profit on installment sales	**(406,073)**		
Allowance for doubtful receivables	**(36,012)**		
	2,676,586	**2,931,903**	**$ 255,317**
Loans	**14,556,195**		
Allowance for doubtful receivables	**(146,244)**		
	14,409,951	**14,840,646**	**430,695**
Lease receivables and investments in lease	**14,627,707**		
Residual values of investments in lease	**(653,415)**		
Allowance for doubtful receivables	**(50,488)**		
	13,923,804	**14,894,402**	**970,598**
Marketable and investment securities	**2,192,634**	**2,192,634**	
Investment in unconsolidated subsidiaries and associated companies	**16,183**	**16,183**	
Long-term receivables	**603,061**		
Allowance for doubtful receivables	**(188,402)**		
	414,659	**414,659**	
Total	**$34,320,256**	**$35,976,866**	**$1,656,610**
Short-term loans from banks and other financial institutions	**$ 7,157,829**	**$ 7,157,829**	
Commercial paper	**8,771,951**	**8,771,951**	
Payables — trade	**1,109,195**	**1,109,195**	
Bonds	**5,341,828**	**5,355,451**	**$ 13,623**
Loans from the securitizations of the minimum future rentals on lease contracts	**1,270,915**	**1,274,464**	**3,549**
Long-term loans from banks and other financial institutions	**12,744,110**	**12,772,549**	**28,439**
Total	**$36,395,828**	**$36,441,439**	**$ 45,611**

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 20).

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 the short term, as long as there are no significant fluctuations in the credit standing. The fair values of debt securities and trust beneficiary interests with fixed 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 3.

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 the short term approximate fair value. The carrying values of bonds settled in the long term on floating rate 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 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 20).

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

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

The carrying values of loans from the securitizations of the minimum future rentals on leases settled in the long term on floating rate 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 Companies after securitizing. The fair values of other loans from the securitizations of the minimum future rentals on lease contracts are measured by discounting the cash flows to be paid of principal and interest at each division based on its specific period, at interest rates assumed when a similar and new securitization is made.

Long-term loans from banks and other financial institutions

The carrying values of long-term debt on floating rates approximate fair value, because the floating rate will be determined by the market interest rate in the short term, and there are no significant fluctuations in the credit standing of the Companies 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 20).

Derivatives

The information regarding the fair value for derivatives is included in Note 20.

Financial instruments of which fair value is not readily determinable

Non-marketable securities at March 31, 2012 and 2011, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Subsidiaries and related parties shares	¥ 19,241	¥15,546	$ 234,646
Unlisted shares	14,871	10,868	181,354
Unlisted domestic bonds	2,000	2,000	24,390
Trust beneficiary interests	427	133	5,207
Silent partnership interest	59,617	70,691	727,037
Senior equity interest	12,408	5,129	151,317
Limited partnership interest	4,355	5,140	53,110
Total	¥112,919	¥109,507	$1,377,061

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

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

	Thousands of U.S. Dollars					
March 31, 2012	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	$ 631,293					
Time deposits other than cash equivalents	55,146					
Receivables						
Installment sales (1)	962,854	$ 655,463	$ 477,768	$ 338,585	$ 194,671	$ 489,330
Loans	4,149,585	3,041,451	2,101,037	1,449,854	1,486,353	2,327,915
Lease receivables and investments in lease (2)	4,746,988	3,613,988	2,717,366	2,005,256	1,225,281	3,210,097
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	739,073	409,915	149,537	339,244	46,817	46,036
Other	73,293	271,390	206,890	75,463	159,232	197,988
Total	$11,358,232	$7,992,207	$5,652,598	$4,208,402	$3,112,354	$6,271,366

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

20 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 and currency-interest rate swaps to manage their interest rate exposures on certain assets and liabilities.

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

Derivative transactions to which hedge accounting is not applied at March 31, 2012 and 2011, were as follows:

	Millions of Yen							
	2012				2011			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts:								
Selling Chinese yuan	¥ 25	¥ 13	¥ (1)	¥ (1)				
Selling U.S. dollars					¥ 293		¥ 4	¥ 4
Interest rate swap contracts:								
Fixed rate payment, floating rate receipt	9,986	5,547	(234)	(234)	3,561	¥2,725	(145)	(145)
Floating rate payment, floating rate receipt	8,000	5,000	95	95	8,000	8,000	126	126

	Thousands of U.S. Dollars			
	2012			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/loss
Foreign exchange forward contracts:				
Selling Chinese yuan	$ 305	$ 159	$ (12)	$ (12)
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	121,780	67,646	(2,854)	(2,854)
Floating rate payment, floating rate receipt	97,561	60,976	1,159	1,159

Derivative transactions to which hedge accounting is applied at March 31, 2012 and 2011, were as follows:

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

		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:				
Selling U.S. dollars	Lease receivables	488		
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	Short-term borrowings, long-term debt, bonds, and 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		

	Hedged item	Contract amount	Contract amount due after one year	Fair value
		Thousands of U.S. Dollars		
		2012		
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables — trade	$ 4,573		$ (24)
Selling Singapore dollars	Payables — trade	61		
Selling Chinese yuan	Payables — trade	6,561		(122)
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollar receipt	Long-term debt	492,268	$ 492,268	
Thai baht payment, U.S. dollar receipt	Long-term debt	46,622	46,622	
Foreign exchange forward contracts:				
Buying U.S. dollars	Lease receivables	6,500		
Interest rate swap contracts:				
Fixed rate payment, floating rate receipt	Short-term borrowings, long-term debt, bonds, and receivables — loan	3,242,976	1,671,439	(15,683)
Interest rate swap contracts:				
Floating rate payment, fixed rate receipt	Long-term debt, Bonds	85,366	60,976	
Fixed rate payment, floating rate receipt	Long-term debt	691,951	513,744	

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, 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 from banks and other financial institutions and lease receivable, and recorded in the consolidated balance sheets at March 31, 2012 and 2011, and included in the fair value of hedged items.

21 Comprehensive Income

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

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Net unrealized gain on available-for-sale securities:		
Gains arising during the year	¥1,547	$18,866
Reclassification adjustments to profit or loss	910	11,097
Amount before income tax effect	2,457	29,963
Income tax effect	(527)	(6,426)
Total	¥1,930	$23,537
Deferred loss on derivatives under hedge accounting:		
Gains arising during the year	¥ (704)	$ (8,585)
Reclassification adjustments to profit or loss	1,346	16,414
Amount before income tax effect	642	7,829
Income tax effect	(379)	(4,622)
Total	¥ 263	$ 3,207
Foreign currency translation adjustments — Adjustments arising during the year	¥ (642)	$ (7,829)
Total	¥ (642)	$ (7,829)
Share of other comprehensive income in associates — Gains arising during the year	¥34	$415
Total	¥34	$415
Total other comprehensive income	¥1,585	$19,330

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

22 Segment Information

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

1. Description of reportable segments

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

Customer Finance is attributable to 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

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

	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

	Thousands of U.S. Dollars				
	Reportable segment				
Year Ended March 31, 2012	Customer finance	Asset finance	Total	Adjustments	Consolidated
Revenues:					
Revenue from external customers	**$ 6,979,573**	**$ 1,857,146**	**$ 8,836,719**		**$ 8,836,719**
Intersegment revenue or transfers	**537**	**2,963**	**3,500**	**$ (3,500)**	
Total	**6,980,110**	**1,860,109**	**8,840,219**	**(3,500)**	**8,836,719**
Segment profit	**$ 518,024**	**$ 216,317**	**$ 734,341**	**$ (86,086)**	**$ 648,255**
Segment assets	**$29,346,610**	**$14,029,780**	**$43,376,390**	**$1,529,695**	**$44,906,085**
Other items:					
Depreciation	**$ 138,781**	**$ 865,439**	**$ 1,004,220**	**$ 5,415**	**$ 1,009,635**
Amortization of goodwill	**35,585**		**35,585**		**35,585**
Investments in equity method affiliates	**113,366**	**76,939**	**190,305**		**190,305**
Increase in property and equipment and intangible assets	**7,183**	**961,329**	**968,512**	**36,488**	**1,005,000**

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

“Adjustments” in depreciation contain depreciation relating to the back office of the Company.

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

2) “Adjustments” for segment profit are adjusted to reach operating income in the consolidated statement of income.

4. Information about products and services

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

	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				
	2012				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$6,864,366**	**$1,128,463**	**$434,293**	**$409,597**	**$8,836,719**

5. Information about geographical areas

Revenues and total property and equipment in Japan for the years ended March 31, 2012 and 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				
	2012				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**¥ 2,918**		**¥ 2,918**		**¥ 2,918**
Unamortized balance of goodwill	**40,498**		**40,498**		**40,498**

	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				
	2012				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**$ 35,585**		**$ 35,585**		**$ 35,585**
Unamortized balance of goodwill	**493,878**		**493,878**		**493,878**

23 Net Income per Share

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

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
For the year ended March 31, 2012	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥34,641	89,472	¥387.17	$4.72
Effect of dilutive securities:				
Warrants		167		
Diluted EPS				
Net income for computation	¥34,641	89,639	¥386.44	$4.71

24 Subsequent Event

On May 15, 2012, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations:		
Cash dividends of ¥34 ($0.41) per share	¥3,021	$36,841

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Overseas Network

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402 Far East Finance Centre,
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Asia

Japan Network

Domestic Network

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  Tel: 81-3-6865-3000

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  22-24, Marunouchi 3-chome, Naka-ku,
  Nagoya City, Aichi 460-8407, Japan
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- Shinkawa Office
- Shinjyuku Business Department

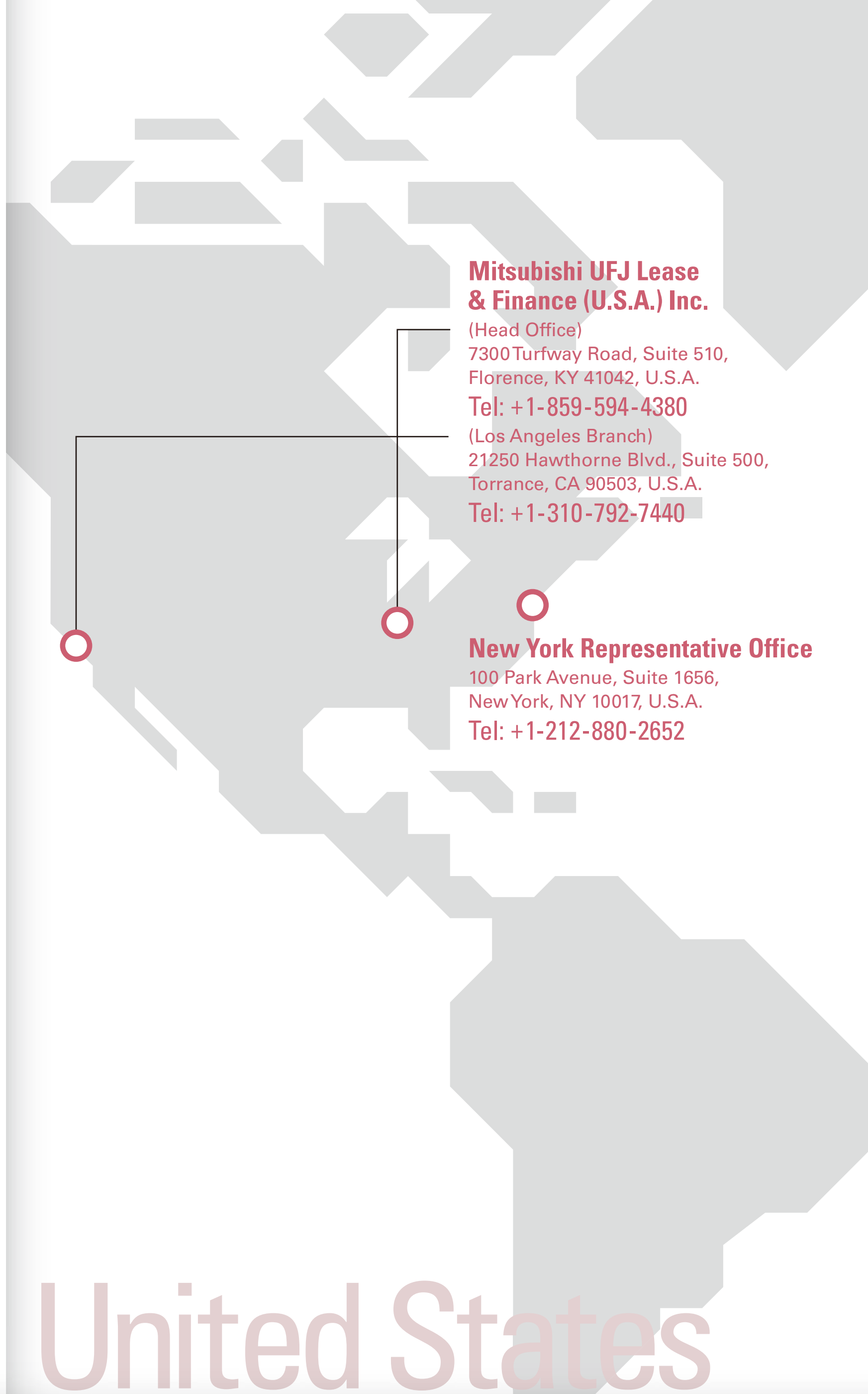
- Sapporo Branch
- Tohoku Branch
- Omiya Branch
- Chiba Branch
- Ueno Branch
- Gotanda Branch
- Ikebukuro Branch
- Tachikawa Branch
- Yokohama Branch
- Kariya Business Department
- Hokuriku Branch
- Gifu Branch
- Hamamatsu Branch

- Shizuoka Business Office
- Numazu Branch
- Yokkaichi Branch
- Osaka Office
- Kyoto Branch
- Kobe Branch
- Okayama Branch
- Shikoku Branch
- Hiroshima Branch
- Kyusyu Branch
- Minami Kyusyu Business Office

Group Network

(as of June 29, 2012)

Europe
Asia
United States
Japan



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New York Representative Office

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United States

Domestic Subsidiaries and Affiliates

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

Auto lease and Auto financing business
- MMC Diamond Finance Corporation
- Hirogin Auto Lease Co. Ltd.
- Mitsubishi Auto Leasing Holdings Corporation
- Mitsubishi Auto Leasing Corporation
- 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
- 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, 2012)

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: 5,753 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: 2,275, Parent: 1,216
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)	4,267	4.76
Meiji Yasuda Life Insurance Company	3,089	3.44

Mitsubishi UFJ Lease & Finance Company Limited

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